

**BOROUGH OF SOMERVILLE  
COUNTY OF SOMERSET  
NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY**

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**BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY**

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**PART I  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

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REGISTERED MUNICIPAL ACCOUNTANTS OF NJ

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Somerville  
County of Somerset, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Somerville, County of Somerset, New Jersey, as of and for the year ended December 31, 2016 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2016 and the related notes to the 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 the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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.

#### Length of Service Award Program (LOSAP)

The financial statements referred to in the first paragraph include the assets, liabilities and net position of the Borough's Length of Service Award Program (LOSAP). Pursuant to N.J. State regulation, LOSAP is subject to an independent accountant's review only and we were not engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements. Accordingly, the financial statements of the Borough's LOSAP are unaudited and we do not express an opinion on the accompanying LOSAP financial statements included within the Trust Funds.

#### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Somerville, County of Somerset, New Jersey, as of December 31, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

#### Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Somerville, County of Somerset, New Jersey as of December 31, 2016 and the results of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2016, on the basis of accounting described in Note 2.



Other Matters

Other Information

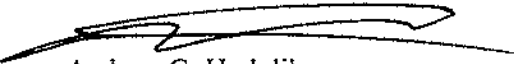
Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise of the Borough of Somerville, County of Somerset, New Jersey. The information included in Part IV – Supplementary Schedules and Part V – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Somerville, County of Somerset, New Jersey. The information included in Part III – the accompanying schedule of federal financial assistance are presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and are also not a required part of the financial statements. The information included in Part III – the accompanying schedule of federal financial assistance and the Part IV – Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part V - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2017 on our consideration of the Borough of Somerville’s internal control over financial reporting and 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 the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Accounting Standards* and should be considered in assessing the results of our audit.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

  
Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
June 14, 2017

**FINANCIAL STATEMENTS**

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
Cash and Investments - Treasurer	A-4	\$ 6,597,866.12	\$ 4,526,928.00	Liabilities:			
Change Funds	A-5	<u>300.00</u>	<u>300.00</u>	Appropriation Reserves	A-3, A-14	800,971.69	\$ 637,374.62
				Prepaid Property Taxes	A-7	264,688.69	317,862.66
				Tax Overpayments	A-15	20,765.55	3,117.70
				Reserve for Encumbrances	A-3, A-14	548,187.90	377,113.03
Receivables and Other Assets With				Due to State of NJ SC/Vet Deductions	A-8	5,659.26	7,087.34
Full Reserves:				Due County Added Taxes	A-12	1,805.77	1,805.77
Delinquent Prop. Taxes Receivable	A-7	729,931.42	691,605.97	Interfunds Payable	A-13	755,664.36	457,767.87
Tax Title Liens Receivable	A-7	245,535.43	110,997.36	Various Reserves	A-10	<u>75,697.01</u>	<u>38,053.98</u>
Maintenance Liens Receivable	A-6	1,512.00	1,512.00			2,471,634.46	1,840,182.97
Property Acquired for Taxes (At Assessed Valuation)	A-9	28,500.00	28,500.00				
Revenue Accounts Receivable	A-11	70,311.09	27,603.29				
Interfunds Receivable	A-13	<u>7,009.60</u>	<u>234,991.58</u>	Reserve for Receivables	Reserve	1,082,799.54	1,095,210.20
				Fund Balance	A-1	<u>4,126,531.66</u>	<u>2,687,045.03</u>
Total Current Fund		<u>1,082,799.54</u>	<u>1,095,210.20</u>	Total Current Fund		<u>7,680,965.66</u>	<u>5,622,438.20</u>
				Grant Fund:			
State and Federal Grants Receivable	A-16	673,408.13	1,641,371.41	Reserve for Encumbrances	A-18	129,933.32	10,763.47
Interfunds Receivable	A-17	<u>295,477.94</u>	<u>223,800.68</u>	Reserve for State and Federal Grants:			
				Appropriated	A-18	833,651.39	1,849,063.60
				Unappropriated	A-19	<u>5,301.36</u>	<u>5,345.02</u>
Total Grant Fund		<u>968,886.07</u>	<u>1,865,172.09</u>	Total Grant Fund		<u>968,886.07</u>	<u>1,865,172.09</u>
						\$ 8,649,851.73	\$ 7,487,610.29

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE-REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Fund Balance Appropriated	A-1,A-2	\$ 1,630,000.00	\$ 1,500,000.00
Miscellaneous Revenues Anticipated	A-2	4,263,390.14	10,316,828.43
Receipts from Delinquent Taxes	A-2	644,876.83	645,732.21
Receipts from Current Taxes	A-2	39,142,348.61	38,586,702.41
Non-Budget Revenue	A-2	212,789.36	120,430.73
Other Credits to Income:			
Interfunds Returned(Net)	A-13	248,991.58	2,121.00
Other Accounts Receivable	A-11		38,465.00
Prior Years Senior Cit./Vet. Deductions	A-8		500.00
Unexpended Balance of Approp. Reserves	A-14	<u>580,316.15</u>	<u>449,553.35</u>
 Total Revenues		 <u>46,722,712.67</u>	 <u>51,660,333.13</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating Within CAPS:			
Operating	A-3	11,572,146.36	11,536,647.00
Def. Charges and Statutory Expend.	A-3	1,314,541.20	1,328,000.00
Operating Excluded from CAPS:			
Operating	A-3	162,426.83	6,485,064.71
Capital Improvements	A-3	50,000.00	30,700.00
Municipal Debt Service	A-3	2,539,921.38	2,797,210.57
Def. Charges and Statutory Expend.	A-3		6,362.75
Local District School Tax	A-12	22,646,816.00	22,225,708.00
County Tax	A-12	4,847,111.26	4,796,189.02
County Added Tax	A-12	17,193.96	1,805.77
Downtown Somerville Alliance Tax	A-12	503,069.05	478,583.20
Interfund Loans Advanced ( Net)			
Refund of Prior Years Revenues	A-4		<u>18,022.73</u>
 Total Expenditures		 <u>43,653,226.04</u>	 <u>49,704,293.75</u>
 Excess (Deficit) in Revenue (Balance Forward)		 3,069,486.63	 1,956,039.38
 <u>FUND BALANCE</u>			
Balance - January 1	A	<u>2,687,045.03</u>	<u>2,231,005.65</u>
		5,756,531.66	4,187,045.03
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,630,000.00</u>	<u>1,500,000.00</u>
Balance - December 31	A	<u>\$ 4,126,531.66</u>	<u>\$ 2,687,045.03</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

Exhibit - A-2  
Page 1 of 2

CURRENT FUND  
STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

		ANTICIPATED 2016 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 1,630,000.00	\$ _____	\$ 1,630,000.00	\$ _____
Total Surplus Anticipated		<u>1,630,000.00</u>	<u>_____</u>	<u>1,630,000.00</u>	<u>_____</u>
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		25,000.00		30,647.00	5,647.00
Other		36,000.00		39,142.00	3,142.00
Fees and Permits		140,000.00		143,812.48	3,812.48
Fines and Costs:					
Municipal Court		340,000.00		382,143.43	42,143.43
Interest and Costs on Taxes		163,000.00		160,661.41	(2,338.59)
Parking Meters		279,000.00		393,839.43	114,839.43
Interest on Investments and Deposits		10,000.00		17,307.72	7,307.72
Sale of Garbage Decals		20,000.00		22,004.67	2,004.67
Rent of Office Facilities		3,850.00		4,550.00	700.00
Consolidated Municipal Property Tax Relief		33,328.00		33,328.00	-
Energy Receipts Tax		1,370,962.00		1,370,962.00	-
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees		300,000.00		240,172.00	(59,828.00)
Public and Private Revenues Offset with Approps.:					
Recycling Tonnage Grant		15,456.23		15,456.23	-
Sustainable Jersey		10,000.00		10,000.00	-
Municipal Alliance Grant			11,029.36	11,029.36	-
Body Armor Replacement fund		3,110.02		3,110.02	-
Drunk Driving Enforcement Grant			11,996.33	11,996.33	-
Body Worn Cameras			6,736.50	6,736.50	-
Emergency Responder Grant			1,000.00	1,000.00	-
Clean Communities			26,928.97	26,928.97	-
Municipal Alcohol Ed. Rehab Grant			1,692.08	1,692.08	-
Other Special Items:					
Uniform Fire Safety Act		20,000.00		62,030.87	42,030.87
Cable TV Franchise Fees		154,568.86		154,568.86	-
Somerville Senior Citizen Housing Inc.		100,000.00		100,589.23	589.23
Desapio Contribution		76,000.00		76,000.00	-
Saker - P.I.L.O.T.		330,000.00		457,600.44	127,600.44
FEMA Reimbursement		84,081.11		84,081.11	-
ERG - Contribution Debt Service		400,000.00		400,000.00	-
Library Surplus		2,000.00		2,000.00	-
Total Miscellaneous Revenues	A-1	<u>3,916,356.22</u>	<u>59,383.24</u>	<u>4,263,390.14</u>	<u>287,650.68</u>
Receipts from Delinquent Taxes	A-1,A-2	<u>675,000.00</u>	<u>_____</u>	<u>644,876.83</u>	<u>(30,123.17)</u>
Subtotal General Revenues		<u>4,591,356.22</u>	<u>59,383.24</u>	<u>4,908,266.97</u>	<u>257,527.51</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes	A-2	<u>11,837,433.73</u>	<u>_____</u>	<u>13,278,158.34</u>	<u>1,440,724.61</u>
Total General Revenues		<u>18,058,789.95</u>	<u>59,383.24</u>	<u>19,816,425.31</u>	<u>\$ 1,698,252.12</u>
Non-Budget Revenues	A-1	<u>_____</u>	<u>_____</u>	<u>212,789.36</u>	<u>_____</u>
		<u>\$ 18,058,789.95</u>	<u>\$ 59,383.24</u>	<u>\$ 20,029,214.67</u>	<u>_____</u>

( ) Denotes Deficit

A-3                      A-3

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

Exhibit - A-2  
 Page 2 of 2

CURRENT FUND  
 STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2016 Collections	A-7	\$ 38,767,985.95	
Prepaid Taxes Applied	A-7	317,862.66	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-7	<u>56,500.00</u>	
	A-1		\$ 39,142,348.61
Allocated to:			
Local School Tax	A-12	22,646,816.00	
County Taxes	A-12	4,847,111.26	
Added County Taxes	A-12	17,193.96	
Special District Tax	A-12	<u>503,069.05</u>	
			<u>28,014,190.27</u>
			11,128,158.34
Add: Reserve for Uncollected Taxes	A-3		<u>2,150,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 13,278,158.34</u>
<u>Allocation of Delinquent Tax Collections:</u>			
Collections	A-7		<u>\$ 644,876.83</u>
	A-2		<u>\$ 644,876.83</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
Operations Within "CAPS"							
<u>GENERAL GOVERNMENT</u>							
Administrative and Executive							
Salaries and Wages	\$ 232,356.00	\$ 232,356.00	\$ 227,176.02	\$	\$ 5,179.98	\$	
Other Expenses	207,175.76	200,175.76	81,081.42	1,722.06	117,372.28		
Borough Clerk							
Salaries and Wages	63,464.40	63,464.40	51,957.00		507.40		11,000.00
Elections							
Salaries and Wages	2,040.00	2,040.00	2,040.00				
Other Expenses	3,672.00	3,672.00	3,473.88		198.12		
Financial Administration							
Salaries and Wages	142,000.00	142,000.00	131,918.81		81.19		10,000.00
Other Expenses	45,212.00	45,212.00	21,227.46	2,916.00	21,068.54		
Audit	51,000.00	51,000.00	1,825.00		49,175.00		
Assessment of Taxes							
Salaries and Wages	26,000.00	26,000.00	24,519.25		1,480.75		
Other Expenses	4,462.50	4,462.50	1,327.26	1,339.95	1,795.29		
Collection of Taxes							
Salaries and Wages	78,540.00	78,540.00	74,342.33		4,197.67		
Other Expenses	8,236.50	8,236.50	6,890.54	180.00	1,165.96		
Legal Services and Costs							
Salaries and Wages	45,900.00	45,900.00	44,695.03		1,204.97		
Other Expenses	40,800.00	47,800.00	37,621.56	6,370.00	3,808.44		
Municipal Prosecutor							
Other Expenses	20,000.00	20,000.00	20,000.00				
Engineering Services and Costs							
Salaries and Wages	73,000.00	73,000.00	70,496.78		2,503.22		
Other Expenses	35,802.00	43,802.00	34,064.02	4,678.11	5,059.87		
Public Bldgs. and Grounds							
Salaries and Wages	144,080.00	141,080.00	134,498.10		6,581.90		
Other Expenses	105,434.00	118,434.00	93,325.03	16,980.67	8,128.30		
Municipal Land Use Act (N.J.S.A. 40:55D-1)							
Planning and Zoning							
Other Expenses	30,090.00	30,090.00	11,909.60	570.00	17,610.40		

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	BALANCE CANCELLED
				ENCUMBERED	CANCELLED		
Operations Within "CAPS" (Cont'd.)							
<u>GENERAL GOVERNMENT</u>							
Department of Technology	\$ 103,075.00	\$ 108,075.00	\$ 107,116.23	\$ 144.99	\$ 813.78	\$	
Other Expenses	5,406.00	5,406.00	4,637.94		768.06		
Zoning Board of Adjustment							
Other Expenses							
Insurance							
Group Insurance	1,224,000.00	1,224,000.00	1,020,876.78	110,031.55	93,091.67		
Other Insurance Premiums	792,078.00	792,078.00	775,720.29		16,357.71		
Prescription Drug/Dental Program	68,850.00	68,850.00	58,248.96		10,601.04		
<u>PUBLIC SAFETY</u>							
Fire							
Salaries and Wages	72,930.00	69,430.00	68,779.92		650.08		
Other Expenses	158,971.00	162,471.00	148,577.77	9,090.94	4,802.29		
Uniform Fire Safety Act (PL 1983, Ch 383)							
Salaries and Wages	91,000.00	91,000.00	84,432.46	1,204.10	6,367.54		
Other Expenses	4,335.00	4,335.00	1,989.36		1,141.54		
Police							
Salaries and Wages	3,908,874.00	3,908,874.00	3,698,273.60		10,600.40		200,000.00
Other Expenses	217,326.30	227,326.30	194,871.92	25,362.01	7,092.37		
First Aid Organization - Contribution	71,400.00	71,400.00	70,000.00		1,400.00		
Emergency Management Services							
Other Expenses	22,950.00	37,950.00	35,562.99		2,387.01		
School Crossing Guard - Contractual	153,408.00	143,408.00	77,469.95	6,074.12	59,863.93		
<u>STREETS AND ROADS</u>							
Road Repairs and Maintenance							
Salaries and Wages	578,260.00	563,260.00	514,773.61	19,072.95	18,486.39		30,000.00
Other Expenses	153,348.84	168,348.84	135,373.51		13,902.38		
Snow Removal							
Other Expenses	25,500.00	25,500.00	4,504.64	3,490.76	17,504.60		
Sanitary Sewer System							
Other Expenses	15,300.00	15,300.00	9,705.00		5,595.00		
Garbage and Trash Collection							
Other Expenses	729,300.00	729,300.00	563,764.28	137,581.87	27,953.85		
Recycling							
Other Expenses	96,900.00	96,900.00	65,677.55	31,222.45			



BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	BALANCE CANCELLED
				ENCUMBERED			
Operations Within "CAPS" (Cont'd.)							
<u>HEALTH AND WELFARE:</u>							
Board of Health	\$ 105,500.00	\$ 105,800.00	\$ 105,625.67	\$	\$ 174.33	\$	
Salaries and Wages	109,660.20	109,360.20	107,628.00		1,732.20		
Other Expenses							
Dog Regulations - Contractual	37,740.00	37,740.00	35,500.00		2,240.00		
Other Expenses							
<u>RECREATION AND EDUCATION:</u>							
Parks and Playgrounds							
Salaries and Wages	35,000.00	25,000.00	448.00		24,552.00		
Other Expenses	76,626.20	76,626.20	47,665.58	3,687.01	25,273.61		
Recreation							
Salaries and Wages	125,000.00	125,000.00	124,607.46		392.54		
Other Expenses	2,550.00	2,550.00			2,550.00		
Celebration of Public Events							
Other Expenses	2,040.00	2,040.00			2,040.00		
Municipal Court							
Salaries and Wages	30,090.00	30,090.00	28,224.04		1,865.96		
Other Expenses	198,290.00	198,290.00	193,211.96		5,078.04		
<u>OTHER BOARDS &amp; COMMISSIONS:</u>							
Uniform Construction Code - Appropriations							
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)							
Department of Community Development							
Salaries and Wages	152,200.00	152,800.00	152,724.95		75.05		
Other Expenses	40,290.00	40,290.00	37,118.90	3,103.27	67.83		
Subcode Officials:							
Plumbing Inspector							
Salaries and Wages	21,300.00	21,300.00	20,940.60		359.40		
Electrical Inspector							
Salaries and Wages	102,000.00	102,000.00	101,489.96		510.04		
Building Inspector							
Salaries and Wages	5,000.00	4,400.00		1,495.00	2,905.00		
Matching Funds for Grants	5,000.00	2,242.66			2,242.66		

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS" (Contd.)						
UNCLASSIFIED:						
Street Lighting	\$ 285,600.00	\$ 285,600.00	\$ 188,710.37	\$ 62,873.94	\$ 34,015.69	\$ -
Fire Hydrant Fees	163,200.00	163,200.00	121,875.00	12,187.50	29,137.50	-
Telephone	91,800.00	91,800.00	78,974.74	4,143.65	8,681.61	-
Water	16,320.00	16,320.00	12,353.75	352.72	3,613.53	-
Electricity	183,600.00	183,600.00	124,805.68	24,277.67	34,516.65	-
Gasoline	132,600.00	104,600.00	41,813.14	13,103.59	49,683.27	-
Accumulated Sick Leave	51,000.00	51,000.00	51,000.00	-	-	-
Salaries and Wages	11,824,883.70	11,822,126.36	10,289,463.65	503,256.88	778,405.83	251,000.00
Total Operations Within "CAPS"	1,020.00	1,020.00	-	-	1,020.00	-
Contingent						
Total Operations Including Contingent Within "CAPS"	11,825,903.70	11,823,146.36	10,289,463.65	503,256.88	779,425.83	251,000.00
DETAIL:						
Salaries and Wages	6,085,534.40	6,054,334.40	5,712,963.59	1,495.00	88,875.81	251,000.00
Other Expenses	5,740,369.30	5,768,811.96	4,576,500.06	501,761.88	690,550.02	-
REGULATORY Expenditures:						
Contribution to:						
Public Employees Retirement System	257,000.00	257,000.00	255,038.34	-	-	1,961.66
Social Security System (O.A.S.I.)	230,000.00	230,000.00	198,265.68	-	11,734.32	20,000.00
Police and Firemen's Retirement	840,000.00	840,000.00	839,302.86	-	-	697.14
State Unemployment Insurance	10,200.00	10,200.00	8,838.46	1,000.00	361.54	-
Total Deferred Charges and REGULATORY Expenditures - Municipal Within "CAPS"	1,337,200.00	1,337,200.00	1,301,445.34	1,000.00	12,095.86	22,658.80
Total General Approp. for Municipal Purposes Within "CAPS"	13,163,103.70	13,160,346.36	11,590,908.99	504,256.88	791,521.69	273,658.80

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
\$	\$ 36,720.00	\$ 36,720.00	\$ 27,270.00	\$	\$ 9,450.00	\$
	35,000.00	35,000.00	35,000.00			
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
L.O.S.A.P. Contribution						
First aid Organization						
Reserve for Tax Appeals						
State and Federal Programs Offset by Revenues:						
Municipal Alliance on Alcohol & Drug Abuse		13,786.70	13,786.70			
Body Armor Grant	3,110.02	3,110.02	3,110.02			
Recycling Tonnage Grant	15,456.23	15,456.23	15,456.23			
Sustainable Jersey	10,000.00	10,000.00	10,000.00			
Drunk Driving Enforcement Grant		11,996.33	11,996.33			
Emergency Responder Grant		1,000.00	1,000.00			
Clean Communities		26,928.97	26,928.97			
Alcohol Ed Rehab Grant		1,692.08	1,692.08			
Body Worn Cameras		6,736.50	6,736.50			
Total Operations - Excluded from "CAPS"	100,286.25	162,426.83	152,976.83		9,450.00	
<u>DETAIL:</u>						
Salaries and Wages						
Other Expenses	100,286.25	162,426.83	152,976.83		9,450.00	

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ -	\$ -	\$ -
Total Capital Improvements - Excluded from "CAPS"	50,000.00	50,000.00	50,000.00	-	-	-
<u>Municipal Debt Service - Excluded from "CAPS"</u>						
Payment of Bond Principal	1,760,000.00	1,760,000.00	1,755,000.00			5,000.00
Interest on Bonds	430,000.00	430,000.00	415,684.36			14,315.64
Interest on Notes	34,200.00	34,200.00	34,188.88			11.12
Somerset County Improvement Authority:						
Capital Lease Program:						
Capital Lease Program Principal	322,000.00	322,000.00	257,137.11	43,249.86		21,613.03
Capital Lease Program Interest	44,200.00	44,200.00	28,980.01	681.16		14,538.83
Total Municipal Debt Service - Excluded from "CAPS"	2,590,400.00	2,590,400.00	2,490,990.36	43,931.02		55,478.62

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY  
STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Deferred Charges						
Deficit in Dedicated Assessment Trust Budget						
Deferred Charges to Future Taxation Unfunded Ordinance Prior	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -	\$ -	\$ -
Total Deferred Charges	5,000.00	5,000.00	5,000.00	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,745,686.25	2,807,826.83	2,698,967.19	43,931.02	9,450.00	55,478.62
Subtotal General Appropriations	15,908,789.95	15,968,173.19	14,289,876.18	548,187.90	800,971.69	329,137.42
Reserve for Uncollected Taxes	2,150,000.00	2,150,000.00	2,150,000.00	-	-	-
Total General Appropriations	\$ 18,058,789.95	\$ 18,118,173.19	\$ 16,439,876.18	\$ 548,187.90	\$ 800,971.69	\$ 329,137.42
	Ref.		A-1	A.A-1	A, A-1	
Adopted Budget	A-2	\$ 18,058,789.95				
Added by N.J.S.A. 40A:4-87	A-2	59,383.24				
		\$ 18,118,173.19				
Disbursed	A-4	\$ 14,199,169.35				
Reserve for Uncollected Taxes	A-2	2,150,000.00				
Public & Private Programs Approp.	A-13	90,706.83				
		\$ 16,439,876.18				

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

TRUST FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

ASSETS	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Assessment Trust Fund:				Assessment Trust Fund:			
Assessments Receivable	B-2	\$ 4,907.84	\$ 4,907.84	Due to General Capital Fund	B-2	\$ 153,868.80	\$ 153,868.80
Prospective Assessments Funded	B-2		5,000.00	Reserve for Assessments and Liens	B-2	4,907.84	4,907.84
Due from Current Fund	B-2	164,336.32	164,336.32	Assessment Serial Bonds	B-2		5,000.00
				Fund Balance	B-1	10,467.52	10,467.52
		169,244.16	174,244.16			169,244.16	174,244.16
Animal Control Fund:				Animal Control Fund:			
Cash - Treasurer	B-2	18,813.60	25,002.81	Due to State of NJ	B-2	10.80	
				Due to Current Fund	B-2	7,009.60	12,278.21
				Reserve to Pay Animal Control			
				Fund Expenditures	B-2	11,793.20	12,724.60
Total Animal Control Fund		18,813.60	25,002.81	Total Animal Control Fund		18,813.60	25,002.81
Trust-Other Fund:				Trust-Other Fund:			
Cash - Treasurer	B-2	2,889,100.71	2,961,081.85	Interfunds Payable	B-2	40,784.47	489,447.02
Interfunds Receivable	B-2	541,470.10	470,689.68	Reserve for Encumbrances	B-2	12,554.31	15,271.16
Accounts Receivable	B-2	8,327.00	7,729.00	Reserve for:			
CDBG Receivable	B-2	44,385.89	44,385.89	Miscellaneous Deposits	B-2	1,780,063.72	1,501,497.83
				CDBG Expenditures	B-2	44,385.89	44,385.89
				District Management Corporation	B-2	312,866.08	258,730.96
				Unemployment Insurance Fund	B-2	42,213.25	34,062.98
				Sanitary Landfill Closure	B-2	10,369.73	11,390.67
				Builders Escrow	B-2	69,680.47	78,419.86
				Tax Redemption Trust	B-2	729,500.00	644,400.00
				Recreation Commission	B-2	74,878.52	221,486.16
				Housing Assistance Program	B-2	54,195.22	29,946.85
				Housing Assistance Program-Portables	B-2	24,033.06	18,353.75
				Law Enforcement Trust Fund	B-2	30,244.25	25,802.06
				Payroll Agency	B-2	256,101.96	110,449.41
				Credit Card Fee Accounts	B-2	1,412.77	241.82
Total Trust-Other Fund		3,483,283.70	3,483,886.42	Total Trust-Other Fund		3,483,283.70	3,483,886.42

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

TRUST FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2016</u>	<u>BALANCE DEC. 31, 2015</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2016</u>	<u>BALANCE DEC. 31, 2015</u>
LOSAP Fund (Unaudited):							
Cash and Investments Trustee		<u>427,892.97</u>	<u>383,541.75</u>	LOSAP Fund (Unaudited):		<u>427,892.97</u>	<u>383,541.75</u>
				Res. For LOSAP Funds Held By Trustee			
Total LOSAP Fund		<u>427,892.97</u>	<u>383,541.75</u>	Total LOSAP Fund		<u>427,892.97</u>	<u>383,541.75</u>
		<u>\$ 4,099,234.43</u>	<u>\$ 4,066,675.14</u>			<u>\$ 4,099,234.43</u>	<u>\$ 4,066,675.14</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

TRUST ASSESSMENT FUND  
 STATEMENT OF FUND BALANCE-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	
Balance - December 31, 2015	B	\$ 10,467.26
Balance - December 31, 2016	B	<u>\$ 10,467.26</u>

Note: See Notes to Financial Statements



BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>REF.</u>	BALANCE DEC. 31, <u>2016</u>	BALANCE DEC. 31, <u>2015</u>
Cash	C- 2	\$ 540,940.57	\$ 749,004.59
Due from Various Grantor Agencies	C- 7	15,146,511.57	13,581,416.44
Interfunds Receivable	C-11	211,920.63	266,920.63
Due from Somerset County Improvement Authority	C-12	3,303.34	341,019.34
Deferred Charges to Future Taxation:			
Funded	C- 5	24,254,169.39	13,386,885.32
Unfunded	C- 6	<u>1,493,826.83</u>	<u>11,498,690.83</u>
		<u>\$ 41,650,672.33</u>	<u>\$ 39,823,937.15</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds Payable	C-10	\$ 17,985,000.00	\$ 12,970,000.00
SCIA Leases Payable	C-15	2,325,945.39	416,885.32
NJEIT Loan Payable	C-16	3,943,224.00	
Bond Anticipation Notes	C- 9	-	6,800,000.00
Interfunds Payable	C-11	300,000.00	6,300.00
Improvement Authorizations:			
Funded	C-8	14,228,031.30	12,745,131.18
Unfunded	C-8	1,108,517.47	5,827,767.48
Reserve for Payment of Future Debt Service ERG	C-13	568,150.67	464,642.60
Reserve for Payment of Future Debt Service	C-14	29,890.00	
Reserve for Encumbrances Payable	C-8	914,678.60	493,040.67
Capital Improvement Fund	C- 4	17,031.83	5,366.83
Fund Balance	C- 1	<u>230,203.07</u>	<u>94,803.07</u>
		<u>\$ 41,650,672.33</u>	<u>\$ 39,823,937.15</u>
Bonds and Notes Authorized but not Issued	C-17	<u>\$ 1,493,826.83</u>	<u>\$ 4,968,822.91</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	
Balance - December 31, 2015	C	\$ 94,803.07
Increased by:		
Premium on Bond Sale	C-2	<u>135,400.00</u>
Balance - December 31, 2016	C	<u>\$ 230,203.07</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

ASSETS	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Operating Fund:							
Cash and Investments - Treasurer	D-5	\$ 192,409.61	\$ 151,591.58		D-4, D-16	\$ 35,431.33	\$ 27,636.61
Change Fund	D-6	50.00	50.00	Appropriation Reserves	D-4, D-16	7,350.88	4,923.00
Interfunds Receivable	D-14	511,007.52	179,103.02	Reserve for Encumbrances	D-9	35,413.03	4,264.09
		703,467.13	330,744.60	Rent Overpayments	D-10	3,462.76	3,864.70
				Prepaid Sewer Charges	D-14		278,189.63
				Interfunds Payable	D-17	1,190.00	1,190.00
Receivables With Full Reserves:				Accrued Interest on Bonds & Notes			
Consumer Accounts Receivable	D-8	282,303.08	300,445.31				
Sewer Utility Licns	D-11	240.00	240.00	Reserve for Receivables	Reserve	82,848.00	320,068.03
		282,543.08	300,685.31	Fund Balance	D-1	282,543.08	300,685.31
Total Operating Fund		986,010.21	631,429.91	Total Operating Fund		986,010.21	631,429.91
Capital Fund:				Capital Fund:			
Fixed Capital	D-13	3,253,953.09	2,922,048.59	Serial Bonds Payable	D-12		68,000.00
Fixed Capital - Authorized and Uncompleted	D-15	47,384.74	19,289.24	Improvement Authorizations			
		47,384.74	19,289.24	Funded	D-18	82.50	82.50
				Unfunded	D-18	47,302.24	19,206.74
				Capital Improvement Fund	D-19	134,000.00	152,000.00
				Down Payment on Improvements	D-20	732.00	732.00
				Due to Sewer Operating Fund	D-21	499,428.48	167,523.98
				Reserve for Amortization	D-22	2,580,727.78	2,512,727.78
				Deferred Reserve for Amortization	D-23	38,082.50	20,082.50
				Fund Balance	D-2	982.33	982.33
Total Capital Fund		3,301,337.83	2,941,337.83	Total Capital Fund		3,301,337.83	2,941,337.83
		\$ 4,287,348.04	\$ 3,572,767.74			\$ 4,287,348.04	\$ 3,572,767.74

Bonds and Notes Authorized but not issued at December 31, 2016 and 2015 were \$682,527.55 and \$340,527.55, respectively. (Exhibit D-24)

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND  
 STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE-REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Fund Balance	D-1, D-3	\$	\$ 70,947.00
Sewer Rents	D-3, D-8	2,751,435.63	2,416,136.74
Miscellaneous	D-3, D-5	61,705.57	662.73
Penalties	D-3, D-5		23,838.86
Canellation of Accrued Interest Payable	D-17		8,852.11
Unexpended Balance of Approp. Reserves	D-16	<u>24,080.84</u>	<u>1.17</u>
Total Revenues		<u>2,837,222.04</u>	<u>2,520,438.61</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	194,000.00	216,000.00
Other Expenses	D-4	1,940,851.48	2,186,500.00
Debt Service	D-4	69,428.00	78,118.50
Statutory Expenditures and Deferred Charges	D-4	23,000.00	35,447.00
Refunds of Prior Year Revenues	D-5		<u>1,627.00</u>
Total Expenditures		<u>2,227,279.48</u>	<u>2,517,692.50</u>
Excess in Revenues		609,942.56	2,746.11
 <u>FUND BALANCE</u>			
Balance - January 1	D	<u>10,676.57</u>	<u>78,877.46</u>
		620,619.13	81,623.57
Decreased by:			
Utilization as Anticipated Revenue	D- 1		<u>70,947.00</u>
Balance - December 31	D	<u>\$ 620,619.13</u>	<u>\$ 10,676.57</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY CAPITAL FUND  
 STATEMENT OF FUND BALANCE-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 982.33
Balance - December 31, 2016	D	<u>\$ 982.33</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND  
 STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	2016 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Sewer Use Charges	D-1,D-8	\$ 2,406,100.00	\$ 2,751,435.63	\$ 345,335.63
Miscellaneous	D-1,D-5	<u>15,000.00</u>	<u>61,705.57</u>	<u>46,705.57</u>
		<u>\$ 2,421,100.00</u>	<u>\$ 2,813,141.20</u>	<u>\$ 392,041.20</u>

Ref.

D-4

Analysis of Realized Revenues:

Analysis of Sewer Use Charges:

Sewer Use Collections

\$ 2,751,435.63

\$ 2,751,435.63

Analysis of Miscellaneous Revenues:

Connection Fees

\$ 60,919.12

Interest on Investments

786.45

\$ 61,705.57

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND  
 STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operating:						
Salaries and Wages	\$ 210,000.00	\$ 210,000.00	\$ 182,076.26	\$ 7,190.98	\$ 4,732.76	\$ 16,000.00
Other Expenses	203,600.00	203,600.00	173,648.37	159.90	29,791.73	
Share of Costs	1,900,000.00	1,900,000.00	1,722,251.48			177,748.52
Reserve for Retirement	15,000.00	15,000.00	15,000.00			
Debt Service:						
Payment of Bond Principal	68,000.00	68,000.00	68,000.00			
Interest on Bonds	1,500.00	1,500.00	1,428.00			72.00
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	6,000.00	6,000.00	6,000.00			
Social Security System (O.A.S.I.)	17,000.00	17,000.00	16,093.16		906.84	
Total Sewer Utility Appropriations	\$ 2,421,100.00	\$ 2,421,100.00	\$ 2,184,497.27	\$ 7,350.88	\$ 35,431.33	\$ 193,820.52
Ref	D-3		D-1	D,D-1	D, D-1	D-1
Disbursed			\$ 2,183,069.27			
Accrued Interest on Bonds and Notes			1,428.00			
			\$ 2,184,497.27			

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
PUBLIC ASSISTANCE TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

REF.

<u>ASSETS:</u>		<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Due to/from Trust Other Fund - PATF 1	E-1	<u>\$ 25,533.60</u>	<u>\$ 25,533.60</u>
 <u>LIABILITIES AND RESERVES:</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I	E-2	<u>\$ 25,533.60</u>	<u>\$ 25,533.60</u>

Note: See Accompanying Notes to Financial Statements



BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS  
 REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
Governmental Fixed Assets:		
Land/Buildings	\$ 12,521,500.00	\$ 10,571,500.00
Land Improvements	10,598,600.00	10,498,600.00
Equipment	7,213,229.00	7,498,679.00
	<hr/>	<hr/>
Total Governmental Fixed Assets	<u>\$ 30,333,329.00</u>	<u>\$ 28,568,779.00</u>
Investment in Governmental Fixed Assets	<u>\$ 30,333,329.00</u>	<u>\$ 28,568,779.00</u>

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: FORM OF GOVERNMENT

The Borough of Somerville operates under the legislative Borough of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three-year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various Borough activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Somerville include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Somerville, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Somerville do not include the operations of the municipal library.

B. Description of Funds

The accounting policies of the Borough of Somerville conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Somerville accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purposes for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A:4-39, the financial transactions of the following funds and accounts are also reported within the Trust Fund:

- Trust Assessment Fund
- Animal Control Trust Fund
- Unemployment Compensation Insurance Trust Fund
- Dedicated Law Enforcement Trust Fund
- Developer's Escrow Fund
- Payroll Fund
- Community Development Block Grant Fund

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Sewer Operating and Capital Funds – account for the operations and acquisition of capital facilities of the municipally-owned Sewer Fund.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

B. Description of Funds (Cont'd.)

Governmental Fixed Assets - the Governmental Fixed Asset System is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting

Basis of Accounting and Measurement Focus - The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes and water and sewer consumer charges are recorded with offsetting reserves within the Current Fund. Other amounts that are due to the Borough which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refers to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)Expenditures (Cont'd.)

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets.

In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulated earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Borough records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. GAAP does not require the establishment of offsetting reserves. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet with an offsetting reserve for conformity with GAAP.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Contributions in aid of construction are not capitalized.

Governmental Fixed Assets – New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of Governmental Fixed Assets of the Borough as part of the basic financial statements. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

No depreciation has been provided for in the financial statements.

Accounting for utility fund “fixed capital” remains unchanged under the requirements of regulation 5:30-5.6.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account as cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized the balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Grants Received – Federal and state grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough’s Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Disclosures About Pension Liabilities

The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 7 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Borough’s long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough’s long-term debt is provided in Note 3 to the financial statements.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

GASB issued Statement No. 77, "Tax Abatement Disclosures" in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability.

GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants.

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No.14" in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. The adoption of these new standards will not adversely effect the reporting on the Borough's financial condition.

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2015 financial statements to conform with classifications used in fiscal year 2016.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>2016</u>	<u>2015</u>
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 17,985,000.00	\$ 12,970,000.00
Bond Anticipation Notes		6,800,000.00
S.C.I.A. Capital Leases	2,325,945.39	416,885.32
NJEIT Loans	3,943,224.00	
Assessment Trust		5,000.00
Sewer Utility		
Bonds and Notes		<u>68,000.00</u>
Net Issued	<u>24,254,169.39</u>	<u>20,259,885.32</u>
<u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	1,493,826.83	4,968,822.91
Sewer Utility		
Bonds and Notes	<u>682,527.55</u>	<u>340,527.55</u>
Total Authorized But Not Issued	<u>2,176,354.38</u>	<u>5,309,350.46</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 26,430,523.77</u>	<u>\$ 25,569,235.78</u>



Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2016 and 2015:

<u>General Debt:</u>	<u>2016</u>	<u>2015</u>
\$3,830,000, General Improvement Bonds of 2006, due in annual installments of \$295,000 through Aug. 1, 2016, interest at 4.00%.	\$ -	\$ 295,000.00
\$3,360,000, County Guaranteed Governmental Loan Revenue Bonds Series 2010B in annual installments of \$190,000 to \$265,000 through Oct. 1, 2024, interest at 3.00% to 4.00 %.	2,045,000.00	2,285,000.00
\$3,640,000, County Guaranteed Governmental Loan Revenue Bonds Series 2010C in annual installments of \$210,000 to \$285,000 through Oct. 1, 2024, interest at 3.00% to 4.00 %.	2,205,000.00	2,465,000.00
\$5,340,000, General Improvement Bonds of 2012, due in annual installments of \$330,000 to \$475,000 through Sept. 15, 2026, interest at 2.00% to 2.375%	4,155,000.00	4,485,000.00
\$3,260,000, County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2012 in annual installments of \$630,000 to \$685,000 through Mar. 15, 2018, interest at 3.00% to 4.00 %.	1,365,000.00	1,995,000.00
\$1,465,000, County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2010C in annual installments of \$250,000 to \$305,000 through Aug. 1, 2021, interest at 2.00% to 4.00 %.	1,445,000.00	1,445,000.00
\$6,770,000, General Obligation Bonds of 2016, due in annual installments of \$300,000 to \$600,000 through Feb. 15, 2031, interest at 1.000% to 3.000%	6,770,000.00	
Bond Anticipation Notes - Mature 04/15/16 @ 1.00%		6,800,000.00
\$50,000 Assessment Bonds of 2006 due in annual installments of \$5,000 through February 1, 2016 at an interest rate of 4.00%		<u>5,000.00</u>
Subtotal - Serial Bond Debt and BAN's for Capital Projects Outstanding December 31	<u>17,985,000.00</u>	<u>19,775,000.00</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Loans Outstanding:</u>		
SCIA Capital Equipment Loan - 2008	128,116.62	188,629.43
SCIA Capital Equipment Loan - 2010		8,103.37
SCIA Capital Equipment Lease - 2011		113,695.73
SCIA Capital Equipment Lease - 2012	64,538.90	106,456.79
SCIA Capital Equipment Lease - 2014	265,763.84	
SCIA Capital Equipment Lease - 2015	229,526.03	
SCIA Capital Equipment Lease - 2016 - Parking Lot Project	830,000.00	
SCIA Capital Equipment Lease - 2016 - Fire Truck	808,000.00	
NJEIT Loan - 2016	<u>3,943,224.00</u>	<u>                    </u>
Subtotal - Loans Outstanding	<u>6,269,169.39</u>	<u>416,885.32</u>
Subtotal General Debt	<u>24,254,169.39</u>	<u>20,191,885.32</u>
<u>Sewer Utility Debt:</u>		
\$1,200,000, General Improvement Bonds of 2015, due in annual installments of \$68,000 to \$75,000 through Feb. 11, 2016, interest at 1.00% to 2.50%.		68,000.00
Total Outstanding Debt	<u>\$ 24,254,169.39</u>	<u>\$ 20,259,885.32</u>

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of:

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$17,735,000.00	\$17,735,000.00	
Sewer Utility Debt	682,527.55	682,527.55	
General Debt	<u>25,747,996.22</u>	<u>598,040.67</u>	<u>\$25,149,955.55</u>
	<u>\$44,165,523.77</u>	<u>\$19,015,568.22</u>	<u>\$25,149,955.55</u>

Net Debt \$25,149,955.55 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,201,120,166.00 = 2.09%

<u>2015</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$20,130,000.00	\$20,130,000.00	
Sewer Utility Debt	408,527.55	408,527.55	
General Debt	<u>25,160,708.23</u>		<u>\$25,160,708.23</u>
	<u>\$45,699,235.78</u>	<u>\$20,538,527.55</u>	<u>\$25,160,708.23</u>

Net Debt \$25,160,708.23 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,190,115,781.67 = 2.11%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2016</u>	<u>2015</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$42,039,205.81</u>	<u>\$41,654,052.36</u>
	<u>25,149,955.55</u>	<u>25,160,708.23</u>
Remaining Borrowing Power	<u>\$16,889,250.26</u>	<u>\$16,493,344.13</u>

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

Calculation of "Self-Liquidating Purpose"  
Sewer Utility Per N.J.S.A. 40A: 2-45

	<u>2016</u>	<u>2015</u>
Cash Receipts From Fees, Rents or Other Charges for the year	\$ 2,837,222.04	\$ 2,518,811.61
Deductions:		
Operating and Maintenance Costs	2,157,851.48	2,437,947.00
Debt Service	<u>69,428.00</u>	<u>78,118.50</u>
Excess in Revenue	<u>\$ 609,942.56</u>	<u>\$ 2,746.11</u>

C. Schedule of General Capital and Assessment Trust Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding at December 31, 2016

<u>Calendar Year</u>	<u>General</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,210,000.00	\$ 548,271.84	\$ 2,758,271.84
2018	2,245,000.00	434,177.50	2,679,177.50
2019	1,590,000.00	374,140.00	1,964,140.00
2020	1,620,000.00	327,021.25	1,947,021.25
2021	1,595,000.00	278,177.50	1,873,177.50
2022	1,370,000.00	228,065.00	1,598,065.00
2023	1,395,000.00	187,633.75	1,582,633.75
2024	1,265,000.00	145,071.25	1,410,071.25
2025	925,000.00	108,456.25	1,033,456.25
2026	925,000.00	88,268.75	1,013,268.75
2027	525,000.00	67,925.00	592,925.00
2028	550,000.00	57,175.00	607,175.00
2029	570,000.00	43,837.50	613,837.50
2030	600,000.00	27,000.00	627,000.00
2031	<u>600,000.00</u>	<u>9,000.00</u>	<u>609,000.00</u>
Total	<u>\$17,985,000.00</u>	<u>\$ 2,924,220.59</u>	<u>\$20,909,220.59</u>

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan AgreementsCapital Equipment and Improvement Revenue Bonds, Series 2008

The Borough entered into a capital equipment loan agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2008 in the amount of \$555,000.00 for the acquisition of 10 year capital equipment. The loan obligation is due in ten semi-annual installments commencing with a principal payment of \$24,731.30 for 2009 and remaining principal payments spread over a nine year period with amounts ranging from \$23,435.33 through \$32,943.79 and bearing an interests rate of 3.82%.

Capital Equipment and Improvement Revenue Bonds, Series 2012

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2012 in the amount of \$205,000.00 for the acquisition of 5 year capital equipment. The loan obligation is due in five bi-annual installments commencing with a principal payment of \$17,284.89 for 2013 and remaining principal payments spread over a four year period with amounts ranging from \$19,997.96 through \$21,737.68 and an interest rate of 2.10%.

Capital Equipment and Improvement Revenue Bonds, Series 2014

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2014 in the amount of \$296,154.22 for the acquisition of 5 year capital equipment. The loan obligation is due in five bi-annual installments commencing with a principal payment of \$30,390.38 for 2016 and remaining principal payments spread over a four year period with amounts ranging from \$36,786.98 through \$39,166.26 and an interest rate of 2.10%.

Capital Equipment and Improvement Revenue Bonds, Series 2015

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2015 in the amount of \$229,526.03 for the acquisition of 5 year capital equipment. The loan obligation is due in five bi-annual installments commencing with a principal payment of \$27,652.89 for 2017 and remaining principal payments spread over a four year period with amounts ranging from \$27,943.24 through \$29,750.53 and an interest rate of 2.10%.

Capital Equipment and Improvement Revenue Bonds, Series 2016

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2016 in the amount of \$830,000.00 for the Parking Lot Project. The loan obligation is due in twenty annual installments commencing with a principal payment of \$25,000.00 for 2017 and remaining principal payments spread over a nineteen year period with amounts ranging from \$25,000.00 through \$65,000.00 and interest rates ranging from 0.77% through 2.45%.

Capital Equipment and Improvement Revenue Bonds, Series 2016

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2016 in the amount of \$808,000.00 for the Purchase of a Fire Truck. The loan obligation is due in twenty bi-annual installments commencing with a principal payment of \$27,665.58 for 2017 and remaining principal payments spread over a ten year period with amounts ranging from \$37,066.82 through \$45,335.56 and an interest rate 2.25%.

The SCIA Loans above have been included in the calculation of the Borough's statutory debt condition.

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2016 and 2015 as follows:

	<u>Fund Balance</u> <u>December 31, 2016</u>	<u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$4,126,531.66	\$1,900,000.00
Sewer Utility Fund	620,619.13	0.00
	 <u>Fund Balance</u> <u>December 31, 2015</u>	 <u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$2,687,045.03	\$1,600,000.00
Sewer Utility Fund	10,676.57	0.00

Note 5: DEPOSITS AND INVESTMENTS

The Borough considers change funds, cash in banks and certificates of deposit as cash and cash equivalents.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At December 31, 2016 and 2015, the book value of the Borough's deposits were \$10,239,130.61 and \$8,413,608.83 and the bank balances of the Borough's cash and deposits amounted to \$10,537,681.85 and \$8,673,244.18, respectively. Of the bank balance, during 2016 and 2015, \$591,066.22 and \$341,061.40 was FDIC insured and \$9,946,615.63 and \$8,332,182.78 were GUDPA insured.

Note 5: DEPOSITS AND INVESTMENTS (CONT'D.)

Deposits (Cont'd.)

At December 31, 2016, the Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough’s deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but no in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty’s trust department or agent but not in the Borough’s name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough’s investment policy. The New Jersey Cash Management Fund is not rated.
- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2016, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Borough’s bank balances were considered exposed to custodial credit risk. In addition, based upon the existing deposit and investment practices, the Borough is generally not exposed to credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments

Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

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

NOTES TO FINANCIAL STATEMENTS

Note 5: DEPOSITS AND INVESTMENTS (CONT'D.)

Investments (Cont'd.)

2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Investments generally are shown by type, carrying amount, market value and level of risk assumed in the holding of the various securities, where applicable. At year-end, the Borough maintained its invested funds in various money market and sweep accounts included in the above categorization of the Borough's deposits.

<u>Cash &amp; Cash Equivalents:</u>	2016 <u>Amount</u>	2015 <u>Amount</u>
Change Fund	\$350.00	\$350.00
Demand Accounts	<u>10,239,130.61</u>	<u>8,413,608.83</u>
Total Cash & Cash Equivalents	<u>\$10,239,480.61</u>	<u>\$8,413,958.83</u>



## NOTES TO FINANCIAL STATEMENTS

### Note 6: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District and County the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1<sup>st</sup> and November 1<sup>st</sup> of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1<sup>st</sup> and May 1<sup>st</sup>. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% may be charged against the delinquency. If taxes are delinquent on or after April 1<sup>st</sup> of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1<sup>st</sup> of the current tax year even though the amount due is not known.

### Note 7. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

*Plan Membership and Contributing Employers-* Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
 Total	 <u>433,296</u>

Contributing Employers – 1,713.

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

*Payrolls and Covered Wages* - For the year ended December 31, 2016 the Borough's total payroll for all employees was \$5,478,141. Total PERS covered payroll was \$2,011,384. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% for State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$284,307 and \$256,278, respectively. Borough Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2015 and 2016 consisted of the following:

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 43,794	\$ 39,768
Amortization of Accrued Liability	<u>202,582</u>	<u>183,196</u>
Total Pension	246,376	222,964
NCGI Premiums	<u>16,687</u>	<u>11,938</u>
Total Regular Billing	263,063	234,902
Additional Billings: Ch. 19, P.L. 2009	<u>21,244</u>	<u>21,376</u>
Total PERS Payment	<u>\$ 284,307</u>	<u>\$ 256,278</u>

Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances.

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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 on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, 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.

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PERS reported a liability of \$29,617,131,759 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Borough was \$7,672,074 or .025904%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$6,133,400 or .027323%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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.

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

*Discount Rate* – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS participating employers as of June 30, 2016, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	\$34,422,851,197	\$29,390,685,705	\$25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
PERS Plan Total	<u>\$70,715,189,252</u>	<u>\$59,007,817,464</u>	<u>\$49,352,744,647</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

*Components of Net Pension Liability* – The components of net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$36,295,189,928	\$49,474,698,146	\$85,769,888,074
Plan Fid. Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net PERS Pension Liability	<u>\$29,390,685,705</u>	<u>\$29,617,131,759</u>	<u>\$59,007,817,464</u>

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources* – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$223,233
2018	223,233
2019	312,244
2020	268,892
2021	<u>108,306</u>
Total	<u>\$1,135,908</u>

*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 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	45,423
Inactive plan members entitled to but not yet receiving benefits	51
Active plan members	<u>42,036</u>
Total	<u>87,510</u>

Contributing Employers – 586.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

For the year ended December 31, 2016 the Borough's total payroll for all employees was \$5,478,141. Total PFRS covered payroll was \$3,248,131. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PFRS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$812,482 and \$839,221, respectively. Borough Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PFRS for the years ending December 31, 2015 and 2016 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 264,189	\$ 267,132
Amortization of Accrued Liability	<u>471,442</u>	<u>494,139</u>
Total Pension	735,631	761,271
NCGI Premiums	<u>34,547</u>	<u>35,520</u>
Total Regular Billing	770,178	796,791
Additional Billings: Ch. 19, P.L. 2009	<u>42,304</u>	<u>42,430</u>
Total PFRS Payment	\$ <u>812,482</u>	\$ <u>839,221</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

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

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$18,700,340 or 0.097894%. At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$16,327,424 or 0.098024%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.

Post- retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.



## Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

The long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

*Discount Rate* – The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

*Sensitivity of Net Pension Liability* – The following presents the collective net pension liability of the participating employers as of June 30, 2016, 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:

	<u>At 1% Decrease</u> <u>(4.55%)</u>	<u>At current discount rate</u> <u>(5.55%)*</u>	<u>At 1% increase</u> <u>(6.55%)</u>
State	<u>\$ 5,612,325,178</u>	<u>\$ 4,710,744,193</u>	<u>\$ 3,977,817,225</u>
Local	<u>26,699,770,118</u>	<u>20,706,699,056</u>	<u>15,819,710,095</u>
PFRS Plan Total	<u>\$32,312,095,296</u>	<u>\$25,417,443,249</u>	<u>\$19,797,527,320</u>

\*- Local Share includes \$1,604,141,087 of Special Funding Situation allocated to the State of NJ as a non-employer.

*Components of Net Pension Liability* – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 6,255,619,682	\$43,146,550,231	\$49,402,169,913
Plan Fiduciary Net Position	<u>1,544,875,489</u>	<u>22,439,851,175</u>	<u>23,984,726,664</u>
Net PFRS Pension Liability	<u>\$ 4,710,744,193</u>	<u>\$20,706,699,056</u>	<u>\$25,417,443,249</u>

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources* – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$864,308
2018	864,308
2019	1,186,102
2020	690,484
2021	<u>27,942</u>
Total	<u>\$3,633,144</u>

*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 5.58, 5.53, and 6.17 years for the 2016, 2015 and 2014 amounts, respectively.

Note 7. PENSION PLANS (CONT'D.)

C. Defined Contribution Retirement System (DCRP):

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers-* Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

*Contribution Requirement and Benefit Provisions -* State and local government employers contribute 3% of the employees' base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended December 31, 2015 the Borough had no employees eligible for enrollment in the DCRP.

For the year ended December 31, 2016 the Borough's total payroll for all employees was \$5,478,141. Total DCRP covered payroll was \$953,851. Covered payroll refers to all compensation paid by the County to active employees covered by the Plan. Borough and employee contributions to the DCRP for the year ended December 31, 2016 were \$30,290 and \$55,532, respectively.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 7,672,074	\$2,024,464	\$888,556	\$256,278
PFRS	<u>18,700,340</u>	<u>3,963,010</u>	<u>329,866</u>	<u>839,221</u>
Total	\$ <u>26,372,414</u>	<u>\$5,987,474</u>	<u>\$1,218,422</u>	<u>\$1,095,499</u>

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS

**Plan Description:** The Borough of Somerville contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In order to receive health benefits, retirees must have been enrolled in the pension system for 25 years. All active full time employees are covered by the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Funding Policy:** Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994.

Cost sharing requirements for retirees are as follows:

1. Any eligible employee who was retired as of June 28, 2011 (the effective date of Ch. 78, P.L. 2011) is not required to contribute to the cost of benefits.
2. Active employees who had accrued 25 years of service at June 28, 2011 will not be required to contribute to the costs of benefits upon retirement.
3. Active employees who had accrued 20 years of service at June 28, 2011 will be required to contribute 1.5% of their retirement benefit towards the cost of post-retirement health benefits.
4. Active employees who had not accrued 20 years of service at June 28, 2011 will, upon retirement continue to pay the applicable percentage of health care costs as set forth in the law. However, retiree contributions will be based upon the retirement benefit rather than the final active salary.

The Borough of Somerville contributions to SHBP for the year ended December 31, 2016 were \$6,194.76, which equaled the required contributions for the year. There was 1 retired participant eligible at December 31, 2016.

Note 9: ACCRUED SICK AND VACATION BENEFITS

Under the existing policy of the Borough, employees are allowed to accumulate unused sick pay over the life of their working careers which may be taken as time off or paid at a later date up to a maximum number of days as specified by contract. It is estimated that the cost of such unpaid sick pay would approximate \$1,663,295 and \$1,780,907 for 2016 and 2015. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

Note 10: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Garden State Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. The Fund's governing board based upon actuarial and budgetary requirements calculates payments to the Fund. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. Lines of coverage provided by the Fund include property; boiler and machinery; equipment floater; auto physical; blanket bond; auto liability; general liability; law enforcement liability; public official liability and worker compensation and employer liability.

At December 31, 2015, the Fund reported for all years combined, total assets of \$38,462,473, liabilities and expenses of \$38,229,591, which includes case reserves of \$24,242,036 and IBNR of \$13,429,258 and net position for all years of \$232,882.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following table is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the 2016 and the previous two years

Fiscal Year	Borough Contributions And Interest	Employee Contributions	Amount Reimbursed	Ending Balance
2016	\$2,576.54	\$6,258.20	\$720.71	\$42,213.25
2015	18,261.38	16,233.99	1,018.08	34,062.98
2014	27.40	25,503.05	35,145.39	585.69

Note 11: COMMITMENTS AND CONTINGENCIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2016, the Borough does not believe that any material liabilities will result from such audits.

As of the date of this report, the Borough has litigation pending that traditionally would be covered through the procurement of liability insurance coverage's.

Note 12: DEFERRED COMPENSATION

The Borough has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

NOTES TO FINANCIAL STATEMENTS

Note 13: INTERFUND

The following interfund balances remained on the balance sheet date at December 31, 2016:

Fund:	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
Current Fund	\$7,009.60	\$755,664.36
Grant Fund	295,477.94	
Assessment Trust Fund	164,336.32	153,868.80
Animal Control Fund		7,009.60
Trust Other Fund	541,470.10	40,784.47
General Capital Fund	211,920.63	300,000.00
Public Assistance Fund	25,533.60	
Sewer Capital Fund		499,428.48
Sewer Operating Fund	<u>511,007.52</u>	<u>0.00</u>
Total	<u>\$1,756,755.71</u>	<u>\$1,756,755.71</u>

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 14: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough PILOT billings in 2016 were \$389,904.71 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to \$648,068.54, based upon the assessed valuations of the long-term tax exemptions properties.

Note 15: SUBSEQUENT EVENTS

A. The following bond ordinances were authorized:

The Borough appropriated \$1,111,000 therefore authorized the issuance of \$1,055,450 Bond and/or Notes dated February 21, 2017, for Various Capital Improvements.

The Borough appropriated \$250,000 therefore authorized the issuance of \$100,000 Bond and/or Notes dated February 21, 2017, for the Various Sewer Utility Improvements.

The Borough appropriated \$264,755 therefore authorized the issuance of \$251,517 Bond and/or Notes dated April 17, 2017, for the Sidewalk Improvements and Pedestrian Enhancements in the Downtown Business Improvement Zone.

The Borough is authorized to act as guarantor to a \$223,125 loan from the NJDCA for the Downtown Somerville Alliance.

**BOROUGH OF SOMERVILLE**  
**SOMERSET COUNTY, NEW JERSEY**

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**PART II**  
**REQUIRED SUPPLEMENTARY INFORMATION**

BOROUGH OF SOMERVILLE  
 SCHEDULE OF THE BOROUGH'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Borough's Proportion of the Net Pension Liability	0.031910%	0.027323%	0.025904%
Borough's Proportionate Share of the Net Pension Liability	\$5,974,460	\$6,133,400	\$7,672,074
Borough's Covered-Employee Payroll	\$1,217,865	\$1,258,125	\$2,011,384
Borough's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	490.57%	487.50%	381.43%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	42.74%	38.21%	31.20%

\* Amounts presented for each fiscal year were determined as of June 30.



BOROUGH OF SOMERVILLE  
 SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 267,335	\$ 284,307	\$ 256,278
Contribution in Relation to Contractually Required Contribution	<u>\$ (267,335)</u>	<u>\$ (284,307)</u>	<u>\$ (256,278)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 1,217,865	\$ 1,258,125	\$ 2,011,384
Contributions as a percentage of Covered Employee Payroll	21.95%	22.60%	12.74%

\* Amounts presented for each fiscal year were determined as of June 30.

BOROUGH OF SOMERVILLE  
 SCHEDULE OF THE BOROUGH'S SHARE OF THE NET PENSION LIABILITY  
POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.100275%	0.098024%	0.097894%
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$12,613,612	\$16,327,424	\$18,700,340
District's Covered-Employee Payroll	\$2,256,044	\$2,325,819	\$3,248,131
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the District's Covered-Employee Payroll	559.10%	702.01%	575.73%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	58.86%	52.84%	48.55%

\* Amounts presented for each fiscal year were determined as of June 30.

BOROUGH OF SOMERVILLE  
 SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS  
POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 766,376	\$ 812,482	\$ 839,221
Contribution in Relation to Contractually Required Contribution	<u>\$ (766,376)</u>	<u>\$ (812,482)</u>	<u>\$ (839,221)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 2,256,044	\$ 2,325,819	\$3,248,131
Contributions as a percentage of Covered Employee Payroll	33.97%	34.93%	25.84%

\* Amounts presented for each fiscal year were determined as of June 30.

**BOROUGH OF SOMERVILLE**  
**COUNTY OF SOMERSET, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**DECEMBER 31, 2016**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2016, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

**PERS**

*Changes in benefit terms* - None

*Changes in assumptions* - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

**PFRS**

*Changes in benefit terms* - None

*Changes in assumptions* - For 2016, the discount rate change to 5.55%, the long-term expected rate of return changed to 7.65% and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 – June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

**BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY**

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**PART III  
SINGLE AUDIT SECTION**

HODULIK & MORRISON, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
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ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.

**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**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
of the Borough Council  
Borough of Somerville  
Somerset County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis Borough of Somerville, County of Somerset, New Jersey as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated June 14, 2017. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting Utilized for financial statements presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Somerville'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Somerville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Somerville'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 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.*

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 Borough of Somerville's financial statements are free from 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Somerville in the General Comments section of the Report of Audit.

We also noted other matters involving compliance and internal control over financial reporting that we have reported to management of the Borough of Somerville in the General Comments section of the Report of Audit.

### **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.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 14, 2017

HODULIK & MORRISON, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
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**REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; AND REPORT  
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE  
INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
of the Borough Council  
Borough of Somerville  
Somerset County, New Jersey

**Report on Compliance for Each Major Federal Programs**

We have audited the Borough of Somerville, County of Somerset, New Jersey compliance with the types of compliance requirements described in the "*OMB Compliance Supplement*" that could have a direct and material effect on each of the Borough of Somerville's major federal programs for the year ended December 31, 2016. The Borough of Somerville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Borough of Somerville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the audit requirements of Title 2 U. S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and, *The Uniform Guidance*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Somerville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough of Somerville's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Borough of Somerville, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of the Borough of Somerville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Somerville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *The Uniform Guidance* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Somerville's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 14, 2017

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Borough of Somerville  
 County of Somerset  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2016

Federal Funding Department	CFDA Number	Total Award	Pass Through Account No.	Grant Period	Cash Receipts	Expenditures	Cumulative at December 31, 2016
Indirect Awards:							
Passed Through County of Somerset:							
Community Development Block Programs:							
Carol Pager Park	14.218	66,027.00		2015	\$ 29,295.14	\$ 59,408.25	\$ 66,027.00
Library ADA Compliant Restrooms	14.218	88,809.00		2014		7,647.27	83,097.11
					29,295.14	67,055.52	149,124.11
Direct Programs:							
Department of Environmental Protection							
NJ Environmental Infrastructure Trust - 2016 - Trust	66.458	3,943,224.00		2016	1,171,512.00	1,171,512.00	1,171,512.00
U.S. Department of Housing and Urban Development:							
Section 8 Program:							
Low Income Housing Assistance Program - Vouchers	14.870	2,242,109.00	NJ39V097013/026	2016	2,242,109.00	2,242,109.00	2,242,109.00
					2,242,109.00	2,242,109.00	2,242,109.00
Total Expenditures of Federal Awards					\$ 3,442,916.14	\$ 3,480,676.52	\$ 3,562,745.11

Footnotes:

Grant Award/Amount Reflects Current Year Awards

NOTE: See accompanying Notes to Schedules of Expenditures of Federal Awards.

Somerville's federal grants are presented within the overall financial statements on the cash basis of accounting which differs with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

N/A - Not Applicable

BOROUGH OF SOMERVILLE  
COUNTY OF SOMERSET, NEW JERSEY

NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
DECEMBER 31, 2016

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards present the activity of all federal financial assistance programs of the Borough of Somerville. The Borough of Somerville is defined in Note 1(A) to the financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies is included on the schedule of expenditures of federal awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards is presented using the modified accrual basis of accounting.

NOTE 3: RELATIONSHIP TO GENERAL FINANCIAL STATEMENTS

Unless specifically noted, the amounts reported in the accompanying schedules agree with amounts reported in the Borough of Somerville's financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Unless specifically required, the amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports, where required.

BOROUGH OF SOMERVILLE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

Sch. C

Section 1 - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unmodified (OCBOA)

Internal Control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

2) Control Deficiencies identified that are not considered to be substantial? \_\_\_\_\_ Yes  X  No

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards**

Dollar threshold used to distinguish between Type A and B programs: \$750,000.00

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

Type of auditor's report issued on compliance for major programs: Unmodified

Internal Control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

2) Control Deficiencies identified that are not considered to be substantial? \_\_\_\_\_ Yes  X  No

Any audit findings disclosed that are required to be reported in accordance with The Uniform Guidance \_\_\_\_\_ Yes  X  No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
<u>14.870</u>	<u>HUD Section 8 Low Income Housing Assistance Program - Vouchers</u>
<u>66.458</u>	<u>NJ Environmental Infrastructure Trust - 2016 - Trust</u>

BOROUGH OF SOMERVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Sch. C

Section II - Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with chapter 5.18 of *Government Auditing Standards*.

Significant Deficiency(ies)/Material Weaknesses

None noted.

Noncompliances

None noted.

Section III - Federal Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200.

Federal and State Award Programs:

Significant Deficiency(ies)/Material Weaknesses:

None noted.

Noncompliance:

None noted.

BOROUGH OF SOMERVILLE  
COUNTY OF SOMERSET, NEW JERSEY  
SUMMARY SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016

*Section 1 – Summary of Prior Year Federal Findings*

SUMMARY OF PRIOR YEAR FINDINGS

None

**BOROUGH OF SOMERVILLE**  
**SOMERSET COUNTY, NEW JERSEY**

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**PART IV**  
**SUPPLEMENTARY SCHEDULES**



**Current Fund**

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance - December 31, 2015	A	\$4,526,928.00
Increased by Receipts:		
Taxes Receivable	A-7	39,412,862.78
Prepaid Property Taxes	A-7	264,688.69
Due from State of N.J. - Ch. 73, P.L. 1976	A-8	55,071.92
Various Payables and Reserves	A-10	34,618.58
Miscellaneous Revenue Anticipated	A-11	4,147,837.36
Revenue Accounts Receivable	A-11	27,603.29
Miscellaneous Revenue Not Anticipated	A-11	212,789.36
Interfund Loans Received/Returned	A-13	544,130.73
Tax Overpayments	A-15	<u>17,697.91</u>
		<u>44,717,300.62</u>
		49,244,228.62
Decreased by Disbursements:		
Budget Expenditures	A-3	14,199,169.35
Taxes Payable	A-12	28,015,996.04
Interfund Loans Disbursed/Returned	A-13	-
2015 Appropriation Reserves	A-14	431,147.05
Tax Overpayments	A-15	<u>50.06</u>
		<u>42,646,362.50</u>
Balance - December 31, 2016	A	<u><u>\$6,597,866.12</u></u>

SCHEDULE OF CHANGE FUNDS  
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
Collector	\$50.00	\$50.00
Clerk	25.00	25.00
Police	50.00	50.00
Construction Code	25.00	25.00
Municipal Court	100.00	100.00
Vital Statistics	50.00	50.00
	<u>\$300.00</u>	<u>\$300.00</u>
<u>Ref.</u>	A	A

SCHEDULE OF MAINTENANCE LIENS RECEIVABLE  
CURRENT FUND

	<u>Ref.</u>	
Balance - December 31, 2015	A	\$ 1,512.00
Balance - December 31, 2016	A	<u>\$ 1,512.00</u>

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2015	Added Taxes and Levy	Collected 9/1/01/16 - 12/31/16	State Veterans' and Senior Citizens' Deductions	Transferred to Tax Title Liens	Adjustments and Cancellations	Balance Dec. 31, 2016
2015	\$ 691,605.97	\$ -	\$ 644,876.83	\$ -	\$ 46,729.14	\$ -	\$ -
2016	\$ -	\$ 39,980,361.40	\$ 317,862.66	\$ 56,500.00	\$ 83,566.05	\$ 24,515.32	\$ 729,931.42
2015	\$ 691,605.97	\$ 39,980,361.40	\$ 317,862.66	\$ 56,500.00	\$ 130,295.19	\$ 24,515.32	\$ 729,931.42

Ref	A	A	A-4	A-8	A-4	Reserve	A
		Below	Prepaid Taxes				
					A-4		
					A		
					A		

Analysis of 2016 Property Tax Levy:	
General Purpose Tax:	
General Property Tax	\$ 39,841,370.56
Added Taxes	<u>138,990.84</u>
	\$ 39,980,361.40
Tax Levy:	
Local District School Tax Levy	A-12 \$ 22,646,816.00
Special District Taxes	A-12 503,069.05
County Tax	A-12 4,847,111.26
County Added and Omitted	A-12 <u>17,193.96</u>
	\$ 28,014,190.27
Local Taxes:	
Municipal Purposes	A-2 11,837,433.73
Added taxes	<u>128,737.40</u>
	\$ 39,980,361.40

Analysis of 2016 Property Tax Levy:	
General Purpose Tax:	
General Property Tax	\$ 39,841,370.56
Added Taxes	<u>138,990.84</u>
	\$ 39,980,361.40
Tax Title Lien Activity:	
Tax Title Lien Balance - December 31, 2015	A \$ 110,997.36
Transferred from Taxes Receivable	130,295.19
Interest and Costs on Tax Sale	<u>4,242.88</u>
	\$ 245,535.43
Current Year Tax Collections:	
N.J. Senior Cit. & Vets	A-2 \$ 56,500.00
Prepaid Taxes - 2016	A-2 317,862.66
Current Year Collections	A-2 <u>38,767,985.95</u>
	\$ 39,142,348.61
Delinquent Collections:	
Prior Year Taxes	A-2 \$ 644,876.83
	<u>644,876.83</u>
	\$ 644,876.83

SCHEDULE OF DUE TO STATE OF NEW JERSEY  
PER CH. 73, P.L. 1976 - CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2015	A		\$ 7,087.34
Increased by:			
Cash Receipts	A-4		<u>55,071.92</u>
			62,159.26
Decreased by:			
Deductions Allowed Per Tax Billings	A-8	55,250.00	
2016 Deductions Allowed by Collector	A-8	<u>1,250.00</u>	
			<u>56,500.00</u>
Balance - December 31, 2016	A		<u>\$ 5,659.26</u>
 <u>Analysis of Realized Revenue for 2016:</u>			
Deductions Allowed Per Tax Billings	A-8	\$55,250.00	
2016 Deductions Allowed by Collector	A-8	<u>1,250.00</u>	
			<u>\$56,500.00</u>
Realized as Revenue - 2016	A-7		<u>\$56,500.00</u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
(AT ASSESSED VALUATION)  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2015	A	\$28,500.00
Balance - December 31, 2016	A	<u>\$28,500.00</u>

CURRENT FUND  
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	Dec. 31, 2015	Cash Receipts	Cash Disbursements	Adjustments	Dec. 31, 2016
Accounts Payable:					
Vendor Accounts Payable	\$ -	\$ -	\$ -	\$ 3,024.45	\$ 3,024.45
Subtotal	-	-	-	3,024.45	3,024.45
Reserve for:					
Master Plan	\$ 10,000.00			\$ -	\$ 10,000.00
Property Revaluation	2,200.00				2,200.00
Sale of Municipal Assets	11,633.98	12,665.47			24,299.45
Tax Appeals	14,220.00	21,953.11			21,953.11
Library Surplus	38,053.98	34,618.58	-		14,220.00
Subtotal	38,053.98	34,618.58	-	\$ -	75,697.01
Total	\$ 38,053.98	\$ 34,618.58	\$ -	\$ 3,024.45	\$ 75,697.01

Ref: A A-4 A-4 A-14 A

CURRENT FUND  
SCHEDULE OF NONBUDGET REVENUES & VARIOUS ACCOUNTS RECEIVABLES

	Dec. 31, 2015	Accrued/ Adjustments	Cash Receipts	Dec. 31, 2016
Revenue Accounts Receivable:				
Fines and Costs - Municipal Court	\$ 27,603.29	\$ 70,311.09	\$ (27,603.29)	\$ 70,311.09
	27,603.29	70,311.09	(27,603.29)	70,311.09
Non - Budget Revenue:				
Administrative Fees		67,488.08	(67,488.08)	-
Senior Citizens & Veterans Deduct. - Admin. Fee		1,101.44	(1,101.44)	-
Miscellaneous Fees and Permits		36,901.95	(36,901.95)	-
Landlord Registration Fees		42,534.64	(42,534.64)	-
Police Reports		4,799.05	(4,799.05)	-
Marriage/ Civil Union Ceremonies		525.00	(525.00)	-
Miscellaneous		59,439.20	(59,439.20)	-
		212,789.36	(212,789.36)	-
Total	\$ 27,603.29	\$ 283,100.45	\$ (240,392.65)	\$ 70,311.09
	Ref.	A	A-4	A
<u>Analysis of Miscellaneous Revenues:</u>				
Account Receivable Collections			\$ 27,603.29	
Current Year Collections			4,147,837.36	
Subtotal			4,175,440.65	
Grants Realized - Grant Fund			87,949.49	
			\$ 4,263,390.14	



CURRENT FUND  
SCHEDULE OF TAXES PAYABLE

	Dec. 31, 2015	Taxes Levied	Cash Disbursements	Dec. 31, 2016
County - General	\$ -	\$ 4,847,111.26	\$ (4,847,111.26)	\$ -
County - Added & Omitted	1,805.77	17,193.96	(18,999.73)	-
Local School Taxes	-	22,646,816.00	(22,646,816.00)	-
Special District Taxes	-	503,069.05	(503,069.05)	-
Total	\$ 1,805.77	\$ 28,014,190.27	\$ (28,015,996.04)	\$ -

Ref.

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A-1,A-2,A-7

A-4

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CURRENT FUND  
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	Dec. 31, 2015	Cash Receipts	Cash Disbursements	Adjustments	Dec. 31, 2016
Interfunds:					
Grant Fund	\$ 223,800.68	\$ 68,919.92	\$ 2,757.34	\$ 295,477.94	
Assessment Trust Fund	164,336.32			164,336.32	
Sewer Operating Fund	11,579.04			11,579.04	
General Capital Fund	58,051.83			58,051.83	
Animal Control Trust Fund	(12,278.21)	12,278.21	(7,009.60)	(7,009.60)	
Other Trust Fund	(222,713.37)	462,932.60	(14,000.00)	226,219.23	
Interfunds Receivable	(234,991.58)			(7,009.60)	
Interfunds Payable	457,767.87			755,664.36	
Total	\$ 222,776.29	\$ 544,130.73	\$ (18,252.26)	\$ 748,654.76	
	Ref.	A	A-4	A-4	A
Grant Revenue Realized	A-2			\$ (87,949.49)	
Grant Appropriations Realized	A-3			90,706.83	
Due from Animal Control Reserve				(7,009.60)	
Due from Trust-Other	A-1			(14,000.00)	
				\$ (18,252.26)	

SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE DEC. 31 <u>2015</u>	ENCUMBERED <u>2015</u>	BALANCE AFTER <u>MODIFICATION</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
Salaries and Wages:					
Inside "CAPS":					
Administrative & Executive	\$ 4,777.40	\$	\$ 4,777.40	\$ 298.10	\$ 4,479.30
Borough Clerk	566.00		566.00		566.00
Elections	614.36		614.36		614.36
Financial Administration	9,267.97		4,267.97		4,267.97
Assessment of Taxes	405.09		405.09		405.09
Collection of Taxes	1,127.86		1,127.86		1,127.86
Legal Services	1,050.95		1,050.95	688.42	362.53
Engineering	3,860.36		3,860.36		3,860.36
Public Buildings and Grounds	14,259.80		14,259.80		14,259.80
Fire	4,336.06		4,336.06		4,336.06
Uniform Fire Safety Act	38.26		38.26		38.26
Police	25,184.72		25,184.72	17,188.57	7,996.15
Road Repair and Maintenance	3,992.22		3,992.22		3,992.22
Board of Health	3,261.16		3,261.16		3,261.16
Parks and Playgrounds	111.50		111.50		111.50
Municipal Court	1,828.98		1,828.98		1,828.98
Community Development	388.12		388.12		388.12
Plumbing Inspector	600.00		600.00		600.00
Electrical Inspector	3,327.00		3,327.00		3,327.00
Building Inspector	394.74		394.74		394.74
<b>Total Salaries and Wages</b>	<b>79,392.55</b>		<b>74,392.55</b>	<b>18,175.09</b>	<b>56,217.46</b>
Other Expenses:					
Inside "CAPS":					
Administrative and Executive	60,186.67	7,666.15	48,852.82	9,445.41	39,407.41
Elections	534.40		534.40		534.40
Financial Administration	3,712.70	3,896.92	7,609.62	7,314.52	295.10
Audit	25,125.00		49,125.00	49,125.00	
Assessment of Taxes	1,057.28	55.80	1,113.08	668.83	444.25
Collection of Taxes	1,606.36	111.60	1,717.96	164.71	1,553.25
Legal Services	1,345.94		1,345.94	663.20	682.74
Prosecutor	1,000.00		1,000.00		1,000.00
Engineering	11,465.53	6,250.00	17,715.53	3,425.12	14,290.41
Public Buildings and Grounds	213.67	6,130.86	6,344.53	4,551.25	1,793.28
Planning Board	9,092.50	1,815.00	10,907.50	907.50	10,000.00
Dept. of Technology	9,082.82	224.50	9,307.32	374.49	8,932.83
Zoning Board of Adjustment	1,039.88		1,039.88		1,039.88
Group Insurance for Employees	163,725.09		163,725.09	121,730.24	41,994.85
Other Insurance Premiums	17,122.00		17,122.00		17,122.00
Prescription Drug/Dental Program	12,245.32		12,245.32		12,245.32
Fire	215.49	9,186.35	9,401.84	9,253.20	148.64
Uniform Fire Safety Act	1,436.05		1,436.05	124.99	1,311.06
Police	5,324.63	14,269.24	19,593.87	15,831.09	3,762.78
School Crossing Guards Contractual	40,623.51	12,000.00	52,623.51	28,216.84	24,406.67
Emergency Management	3,066.92		3,066.92	22.50	3,044.42
Road Repair and Maintenance	5,283.63	24,527.87	29,811.50	20,638.92	9,172.58
Sewer System	8,075.00		8,075.00		8,075.00
Garbage and Trash Removal Contractual	15,943.25	169,491.94	185,435.19	49,175.74	136,259.45
Recycling	10,639.68		10,639.68		10,639.68
Board of Health	850.36		850.36		850.36
Dog Regulation (contractual)	7,500.00		7,500.00		7,500.00
Parks and Playgrounds	15,525.23	529.06	16,054.29	-413.65	16,467.94
Recreation	55.00		55.00		55.00
Celebration of Public Events	2,000.00		2,000.00		2,000.00
Municipal Court	11,617.68		11,617.68		11,617.68
Community Development	686.37	267.07	953.44	942.07	11.37
Street Lighting		59,754.27	59,754.27	37,754.27	22,000.00

SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE DEC. 31 <u>2015</u>	ENCUMBERED <u>2015</u>	BALANCE AFTER <u>MODIFICATION</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
Other Expenses:					
Inside "CAPS":					
Fire Hydrant Service	1,560.70	12,187.50	13,748.20	12,187.50	1,560.70
Telephone	3,618.96	1,833.49	5,452.45	5,216.08	236.37
Water		1,521.82	1,521.82	1,420.49	101.33
Electricity		30,890.39	30,890.39	26,307.79	4,582.60
Gas/Diesel Fuel	47,205.13	14,503.20	61,708.33	10,948.31	50,760.02
Contingent	1,000.00		1,000.00		1,000.00
Public Employees Retirement System	6,693.00		6,693.00		6,693.00
Social Security System	15,227.94		15,227.94		15,227.94
Police and Firemen's Retirement	368.38		368.38		368.38
Matching Funds for Grants	8,000.00		8,000.00		8,000.00
Other Expenses: Out of "CAPS":					
LOSAP	26,910.00		26,910.00		26,910.00
Total Other Expenses	<u>557,982.07</u>	<u>377,113.03</u>	<u>940,095.10</u>	<u>415,996.41</u>	<u>524,098.69</u>
Total Operations	<u>\$ 637,374.62</u>	<u>\$ 377,113.03</u>	<u>\$ 1,014,487.65</u>	<u>\$ 434,171.50</u>	<u>\$ 580,316.15</u>
<u>Ref</u>	<u>Λ</u>	<u>Λ</u>			<u>A-1</u>
Disbursed	A-4			\$ 431,147.05	
Accounts Payable	Λ-10			<u>3,024.45</u>	
				<u>\$ 434,171.50</u>	

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>	<u>Total</u>	<u>Current</u>	<u>Prior Year</u>
Balance - December 31, 2015	A	\$ 3,117.70	\$ -	\$ 3,117.70
Increased by:				
Cash Receipts - Tax Overpayments	A-4	17,697.91	17,697.91	
Decreased by:				
Cash Payments - Refunds	A-4	<u>50.06</u>		<u>50.06</u>
Balance - December 31, 2016	A	<u>\$ 20,765.55</u>	<u>\$ 17,697.91</u>	<u>\$ 3,067.64</u>

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

GRANT	2016 BUDGET		CHAPTER 159'S	COLLECTED 2016	UNAPPROPRIATED	TRANSFERRED FROM GRANTS	BALANCE DEC. 31, 2016
	BALANCE DEC. 31, 2015	REVENUE REALIZED					
Municipal Alliance Grant	\$ 22,015.71	\$	\$	\$	\$	\$	\$ 22,015.71
Municipal Alliance Grant 15	9,315.00			9,315.00			
Municipal Alliance Grant 16			11,029.36	4,882.50			6,146.86
Alcohol Ed Rehab Grant			1,692.08	1,692.08			
Body Armor Fund 16		3,110.02				3,110.02	
Body Worn Camera Program			6,736.50	6,736.50			
Carol Payer Park Grant			29,295.14	29,295.14			
Clean Communities Program	29,295.14		26,928.97	26,928.97			345.01
Drunk Driving Enforcement Fund	345.01		11,996.33	11,996.33			
Emergency Responder Grant			1,000.00	1,000.00			
Highway Safety Safe Corridors							4,246.71
Historic Grant County	4,246.71						75,000.00
Historical Preservation Grant	75,000.00			62,500.00			62,500.00
HUD Main St. Revitalization	125,000.00						0.60
Library ADA Compliant Grant	0.60						22,295.00
NDOT Centers of Place Program	22,295.00						21,533.24
Regional Center Partnership of Somerset County:	21,533.24						
Challenge Grant Program-Park and Recreation Needs	13,000.00			13,000.00			
Recycling Tonnage Grant 16		15,456.23		15,456.23			
RCP/Sanitary Sewer Grant	15,000.00			15,000.00			
SC Open Space Moye Property	850,000.00					850,000.00	
Somerville Flood Acquisition Project	454,325.00						454,325.00
Sustainable Jersey		10,000.00		5,000.00			5,000.00
	\$ 1,641,371.41	\$ 28,566.25	\$ 59,383.24	\$ 202,802.75	\$ 3,110.02	\$ 850,000.00	\$ 673,408.13

Ref

A

A-17

A-17

A-17

A-19

A-18

A

GRANT FUND  
STATEMENT OF INTERFUNDS RECEIVABLE/PAYABLE

	Dec. 31, 2015	Adjustments	Dec. 31, 2016
<b>Interfunds:</b>			
Current Fund	\$ 223,800.68	\$ 71,677.26	\$ 295,477.94
<b>Total</b>	<u>\$ 223,800.68</u>	<u>\$ 71,677.26</u>	<u>\$ 295,477.94</u>
	<u>Ref.</u>	A	A
Grants Revenue - Budget	A-16	\$ (87,949.49)	
Grants Appropriated - Budget	A-18	90,706.83	
Grant Receivables - Received	A-16	202,802.75	
Grants Appropriated - Expended	A-18	(136,949.19)	
Grants Unappropriated - Received	A-19	<u>3,066.36</u>	
		<u>\$ 71,677.26</u>	

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS - APPROPRIATED  
GRANT FUND

GRANT/AID PROGRAM	BALANCE DEC. 31, 2015	TRANSFERRED FROM 2016 BUDGET	CHAPTER 159'S	ENCUMBERED DEC. 31, 2015	PAID OR CHARGED	ENCUMBERED DEC. 31, 2016	CANCELLED	BALANCE DEC. 31, 2016
Municipal Alliance Grant County 12	\$ 287.97	\$						\$ 287.97
Municipal Alliance Grant Local 12	1,000.00							1,000.00
Municipal Alliance Grant County 13	706.28							706.28
Municipal Alliance Grant Local 13	2,725.50							2,725.50
Municipal Alliance Grant County 14	2,930.65							2,930.65
Municipal Alliance Grant Local 14	3,816.50							3,816.50
Municipal Alliance Grant 15	10,296.25		11,029.36		3,875.00			6,421.25
Municipal Alliance Grant 16			2,757.34					11,029.36
Municipal Alliance Grant Match 16								2,757.34
Carol Payer Park Grant	59,408.25				59,408.25			
RCP/Sanitary Sewer Grant	228.42				228.42			
Library ADA Compliant Grant	5,711.89			7,647.27				5,711.89
Historical Preservation Grant	125,000.00					114,283.31		
Regional Center Challenge Grant 13	26,000.00							26,000.00
SC Open Space Moye Property	850,000.00						850,000.00	
DEP Hazardous Discharge Site Remediation Fund	12,947.88				12,935.50			12.38
Emergency Responder Grant	6.97				435.35			1,006.97
Society of Fire Prevention Fire Week	250.00							250.00
Regional Center Challenge Grant 13	1,108.54							1,108.54
NJDOT Transit Village	230,000.00							230,000.00
Somerville Flood Acquisition Project	454,325.00							454,325.00
Bulletproof Vest Program	3,163.06				1,905.70			1,257.36
Alcohol Ed Rehab Grant	294.67		1,692.08		500.00			1,486.75
Highway Safety Safe Corridors	0.01							0.01
Federal Bulletproof Vest Program	769.26			955.80	584.67	1,725.06		
Clean Communities Program 14	584.67							584.67
Body Armor Replacement Fund 14	3,924.95							3,924.95
Clean Communities	23,555.28							4,801.85
Body Armor Replacement Fund 15		3,110.02						
Clean Communities 16								
Drunk Driving Enforcement Fund 16		10,000.00				10,000.00		
Sustainable Jersey		15,456.23						
Recycling Tonnage Grant 16	1,347.20							5,343.84
Body Worn Cameras	38.11							1,347.20
Clean Communities Program 13	1,227.92							38.11
Body Armor Replacement Fund 13	4,304.72							1,227.92
DOT Centers of Place Program	1,772.50							4,304.72
Regional Center Partnership Grant-ResZone	7,413.79							1,772.50
Regional Center Partnership Grant	13,917.36			1,725.05				7,413.79
Recycling Tonnage Grant 15								15,642.41
	\$ 1,849,063.60	\$ 28,566.25	\$ 62,140.58	\$ 10,763.47	\$ 136,949.19	\$ 129,933.32	\$ 850,000.00	\$ 833,651.39

Ref



SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS  
UNAPPROPRIATED  
GRANT FUND

<u>GRANTS</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>	<u>COLLECTED</u> <u>2016</u>	<u>APPLIED</u> <u>TO GRANTS</u> <u>RECEIVABLE</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
Body Armor Replacement Fund	\$ 3,110.02 \$	3,066.36 \$	3,110.02 \$	3,066.36
Somerville Landfill Green Seam	<u>2,235.00</u>			<u>2,235.00</u>
	<u>\$ 5,345.02 \$</u>	<u>\$ 3,066.36 \$</u>	<u>\$ 3,110.02 \$</u>	<u>\$ 5,301.36</u>
<u>Ref.</u>	A	A-17	A-16	A

**Trust Fund**

TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance <u>12/31/15</u>	Cash	Balance <u>12/31/16</u>
		<u>Receipts</u> <u>Disbursements</u>	
		<u>Adjustments</u>	
<b>Assessment Trust Fund:</b>			
Assessments Receivable	\$ (4,907.84)	\$	\$ (4,907.84)
Prospective Assessments Funded	(5,000.00)		-
Due from Current Fund	(164,336.32)		(164,336.32)
Due to General Capital	153,868.80		153,868.80
Reserve for Assessments and Liens	4,907.84		4,907.84
Assessment Bonds	5,000.00		-
Fund Balance	10,467.52		10,467.52
<hr/>			
Total	-	-	-
<hr/>			
<b>Animal Control:</b>			
Due Current Fund	12,278.21		7,009.60
Due NJ - State License Fees		774.60	10.80
Animal Control Reserves	12,724.60	6,666.20	11,793.20
		(12,278.21)	
		(763.80)	
		(588.00)	
		(7,009.60)	
Total	25,002.81	7,440.80	18,813.60
<hr/>			
<b>Trust - Other Funds:</b>			
Accounts Receivable - HUD	(7,729.00)	7,228.00	(8,327.00)
CDBG Receivable	(44,385.89)		(44,385.89)
<b>Interfunds Receivable:</b>			
Due from Sewer Utility	(223,189.63)	223,189.63	-
Due from General Capital Fund	(6,300.00)	12,600.00	(300,000.00)
Due from Current Fund	(241,200.05)		(241,470.10)
		(306,300.00)	
		(270.05)	
Subtotal Interfunds Receivable	(522,804.57)	243,017.63	(594,182.99)
<hr/>			
<b>Interfunds Payable:</b>			
Due to Public Assistance Fund	25,533.60		25,533.60
Due to Current Fund	429,678.28	14,000.00	14,000.00
Reserve for Retirement (TO)	424.27		-
Recycling Trust	478.73		-
Builders Escrow	1,250.87		1,250.87
SUI Account	16,473.83		-
Recreation Trust	15,607.44		-
		(429,678.28)	
		(424.27)	
		(478.73)	
		(16,473.83)	
		(15,607.44)	
Subtotal Interfunds Payable	489,447.02	14,000.00	40,784.47
<hr/>			
<b>Reserve for:</b>			
Miscellaneous Deposits	1,501,497.83	893,049.95	1,780,063.72
Payroll Agency	110,449.41	1,220,606.72	256,101.96
CDBG Expenditures	44,385.89		44,385.89
District Management Corp.	258,730.96	524,062.51	312,866.08
SUI Fund	34,062.98	8,870.98	42,213.25
Sanitary Landfill Closure	11,390.67	15.54	10,369.73
Builders Escrow	78,419.86	202,390.44	69,680.47
Tax Redemption Trust	644,400.00	1,442,351.21	729,500.00
Recreation Trust	221,486.16	138,850.94	74,878.52
Housing Assistance Program	29,946.85	2,179,119.43	54,195.22
Housing Assistance Portables	18,353.75	85,091.31	24,033.06
Law Enforcement Trust	25,802.06	4,842.19	30,244.25
Credit Card Fee Accounts	241.82	8,431.33	1,412.77
Encumbrances	15,271.16	(15,271.16)	12,554.31
		(614,484.06)	
		(1,074,954.17)	
		(720.71)	
		(1,036.48)	
		(211,129.83)	
		(1,357,251.21)	
		(285,458.58)	
		(2,162,697.06)	
		7,826.00	
Total	2,961,081.85	6,949,429.02	2,889,100.71
<hr/>			
Total	\$ 2,986,084.66	\$ 6,956,869.82	\$ 2,907,914.31
		\$ (7,035,040.17)	

Ref.

B

B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES  
ANIMAL CONTROL FUND

Municipal License Fees Collected:

<u>Year</u>	<u>Amount</u>
2014	\$6,542.00
2015	<u>5,251.20</u>
	<u><u>\$11,793.20</u></u>

Footnote: N.J.S.A. 4:19-15.11

" . . . . there shall be transferred from such special account to general funds of the municipality any amount then in such special account which is in excess of the total amount paid into such special account during the last two fiscal years next preceeding."

TRUST FUNDS  
SCHEDULE OF MISCELLANEOUS RESERVES

	Balance <u>12/31/15</u>	12/31/15 <u>Encumbered</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	12/31/16 <u>Encumbered</u>	Balance <u>12/31/16</u>
Maintenance Reserve	\$ 11,902.95		\$ 2,839.66			\$ 14,742.61
Performance Deposits	529,699.43		84,241.12	(17,122.39)		596,818.16
Planning Board Escrow	30,913.44	4,172.16	131,377.18	(127,426.94)		39,035.84
Engineering Escrow	49,117.18		27,483.21	(17,738.96)		58,861.43
POAA	3,484.81		3,314.00			6,798.81
Youth Services Program	8,097.04		5,000.00	(5,392.61)		7,704.43
Street Openings	54,373.36					54,373.36
Fire Safety	9,554.90	5,000.00	10,000.00	(10,715.13)	(1,014.33)	12,825.44
UFC Penalties - Fire Dept.	250.00		4,000.00			4,250.00
Public Defenders Fee	11,299.46		6,191.50	(15,000.00)		2,490.96
Sewer Escrow	7,083.13					7,083.13
Demolition Project	12,190.94					12,190.94
Reserve for Retirement	581,900.00		215,000.00			796,900.00
Community Day	52.46					52.46
Police Community Policing	17,966.64			(5,906.19)		12,060.45
Snow Removal	61,365.12	5,000.00	981.24	(46,608.06)		20,738.30
Donations - Fire Museum	2,543.53	170.00	325.25	(1,613.63)		1,425.15
Hurricane Sandy Donations	500.00					500.00
Police O/T	21,787.55		312,677.88	(310,002.99)	(11,539.98)	12,922.46
Road Open Inspection	17,751.03		18,664.75	(32,799.87)		3,615.91
CDBG Library	22,295.00					22,295.00
Cable TV	38,577.66	929.00	16,320.00	(11,602.98)		44,223.68
Environmental Commission	3,873.32		4,550.00			8,423.32
Developer Escrow - Desapio Infrastructure			33,938.00			33,938.00
Wedding Donations			875.00			875.00
Jersey Strong Inspection	4,918.88					4,918.88
<b>Total</b>	<b>\$ 1,501,497.83</b>	<b>\$ 15,271.16</b>	<b>\$ 877,778.79</b>	<b>\$ (601,929.75)</b>	<b>\$ (12,554.31)</b>	<b>\$ 1,780,063.72</b>
<u>Ref.</u>	B	B			B	B

SCHEDULE OF ASSESSMENT SERIAL BONDS PAYABLE  
ASSESSMENT TRUST FUND

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2015</u>	<u>BALANCE DEC. 31, 2016</u>
			<u>OUTSTANDING - DEC. 31, 2016</u>	<u>DATE</u>			
Assessment Bonds	08/01/06	\$ 50,000.00				\$ 5,000.00	\$ 5,000.00
						\$ 5,000.00	\$ 5,000.00
							\$ -

Ref.

B

B-2

B

**General Capital Fund**

SCHEDULE OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2015	C		\$ 749,004.59
Increased by Receipts:			
Premium on Sale of Bonds	C- 1	135,400.00	
Capital Improvement Fund	C- 4	50,000.00	
Deferred Charges - Unfunded	C- 6	6,770,000.00	
Deferred Charges - Unfunded	C- 6	20,000.00	
Grants, Loans and Other Receivables	C- 7	4,008,128.87	
Interfunds Received	C-11	357,110.00	
SCIA	C-12	562,905.50	
ERG Payment of Debt Service	C-13	503,508.07	
Payment of Debt Service	C-14	<u>29,890.00</u>	
			<u>12,436,942.44</u>
			13,185,947.03
Decreased by Disbursements:			
Improvement Authorizations	C- 8	5,211,406.96	
Bond Anticipation Notes	C- 9	6,800,000.00	
Interfunds Disbursed	C-11	8,410.00	
SCIA	C-12	225,189.50	
ERG Payment of Debt Service	C-13	<u>400,000.00</u>	
			<u>12,645,006.46</u>
Balance - December 31, 2016	C,C-3		<u>\$ 540,940.57</u>



ANALYSIS OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2015</u>	BALANCE DEC. 31, <u>2016</u>
Fund Balance	\$ 94,803.07	\$ 230,203.07
Capital Improvement Fund	5,366.83	17,031.83
Reserve for Payment of Future Debt Service - ERG	464,642.60	568,150.67
Reserve for Payment of Future Debt Service	-	29,890.00
Reserve for Encumbrances Payable	493,040.67	914,678.60
N.J. D.O.T. Grants Receivable/Reserve	(13,581,416.44)	(15,146,511.57)
Due from SCIA	(341,019.34)	(3,303.34)
Interfunds Receivable	(266,920.63)	(211,920.63)
Interfunds Payable	6,300.00	300,000.00
Excess BAN's	270,132.08	

Improvement Authorizations:

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>		
2018	Local Improvements - Sidewalks	(5,125.00)	
2141	Various Improvements	(7,550.00)	
2189	Various Improvements		255.38
2211	Various Improvements - Vanderveer Field	(3,749.83)	
2217	Various Improvements	(59,374.44)	1,575.56
2227	Various Improvements		16,207.15
2272	Various Improvements		2,356.46
2306	Various Improvements		109.48
2332	Various Improvements	31,691.14	28,257.28
2339	Capital Grant Saker Shoprite	222,798.99	200,798.99
2355	Site Remediation at Landfill	8,180.29	2,794.29
2361	Various Improvements	261.79	2,242.65
2377	Various Improvements	59,483.55	1,821.00
2412	Various Improvements General Capital	18,841.26	14,369.26
2420	Various Improvements	107,374.53	108,864.98
2421	Various Redevelopment Projects	1,087.50	87.50
2427	Various Redevelopment Projects	578.30	142.54
2441	Various Improvements	184,842.51	128,325.95
2446	Preliminary Expenditures Parking Garage	249,750.72	249,750.72
2454	Various Redevelopment Projects	138.77	138.77
2468	Various Redevelopment Projects	49,714.49	7,388.99
2470	Various Improvements	459,241.18	53,984.08
2482	Site Remediation at Landfill	12,285,890.00	12,503,796.70
2484	Parking Lot Project - SCIA		830,000.00
2495	Redevelopment		(53,335.32)
2497	Various Improvements		(311,437.90)
2499	Sidewalk Assessment		(20,536.14)
2505	Purchase of a Fire Truck - SCIA		74,763.57
		<u>\$ 749,004.59</u>	<u>\$ 540,940.57</u>

ANALYSIS OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS

Exhibit - C-3

	BALANCE DEC. 31, <u>2016</u>	BALANCE DEC. 31, <u>2015</u>
Fund Balance	\$ 230,203.07	\$ 94,803.07
Capital Improvement Fund	17,031.83	5,366.83
Reserve for Payment of Future Debt Service-ERG	568,150.67	464,642.60
Reserve for Payment of Future Debt Service	29,890.00	
Reserve for Encumbrances Payable	914,678.60	493,040.67
Improvement Authorizations Funded	14,228,031.30	12,745,131.18
Improvement Authorizations Not Funded	(385,309.36)	(77,630.21)
Grants Receivable/Reserve	(15,146,511.57)	(13,581,416.44)
Due from SCIA	(3,303.34)	(341,019.34)
Interfunds Receivable	(211,920.63)	(266,920.63)
Interfunds Payable	300,000.00	6,300.00
Excess BAN's		270,132.08
Unexpended Proceeds of Bond Anticipation Notes		<u>936,574.78</u>
	<u>\$ 540,940.57</u>	<u>\$ 749,004.59</u>
	C	C

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2015	C	\$ 5,366.83
Increased by:		
2016 Budget Appropriation	C- 2	<u>50,000.00</u>
		55,366.83
Decreased by:		
Improvement Authorizations Funded	C- 8	<u>38,335.00</u>
Balance - December 31, 2016	C	<u>\$ 17,031.83</u>

SCHEDULE OF DEFERRED CHARGES  
TO FUTURE TAXATION - FUNDED  
GENERAL CAPITAL FUND

	<u>REF.</u>		
Balance - December 31, 2015	C		\$ 13,386,885.32
Increased by:			
Serial Bonds Payable	C-10	6,770,000.00	
SCIA Leases Payable	C-15	2,163,680.25	
NJFIT	C-16	<u>3,943,224.00</u>	
			<u>12,876,904.25</u>
			26,263,789.57
Decreased by:			
Serial Bonds Payable	C-10	1,755,000.00	
SCIA Leases Payable	C-15	<u>254,620.18</u>	
			<u>2,009,620.18</u>
Balance - December 31, 2016	C		<u>\$ 24,254,169.39</u>

SCHEDULE OF DEFERRED CHARGES TO  
FUTURE TAXATION - UNFUNDED  
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2015	2016 AUTHORIZATIONS	BONDS ISSUED	CASH RECEIVED	NET	ADJUSTMENT	BALANCE DEC. 31, 2016	ANALYSIS OF BALANCE DECEMBER 31, 2016	
									EXPENDITURES	UNEXPENDED BALANCE OF IMPROV. AUTH
	<u>General Improvements</u>									
2018	Local Improvements - Sidewalks	\$ 5,125.00					\$ (5,125.00)	\$ -	\$ -	\$ -
2141	Various Improvements	7,550.00		\$ 7,000.00			(550.00)			
2189	Various Improvements	92,250.00		92,250.00						
2211	Various Improvements - Vanderveer Field	3,749.83		3,000.00			(749.83)			
2217	Various Improvements	291,900.00		230,950.00			(60,950.00)			
2227	Various Improvements	389,300.00		410,800.00			21,500.00			
2245	Various Redevelopment Projects	178,250.00		181,350.00			3,100.00			
2272	Various Improvements	134,600.00		133,800.00			(800.00)			
2286	Various Improvements	184,170.00		193,600.00			9,430.00			
2306	Various Improvements	506,000.00		519,100.00			13,100.00			
2319	Various Redevelopment Projects	438,950.00		441,700.00			2,750.00			
2332	Various Improvements	220,230.00		225,100.00			4,870.00			
2339	Capital Grant Saker Shoprite	660,000.00		250,000.00			(29,068.00)	410,000.00		410,000.00
2352	Parking Lot Improvements	184,068.00		155,000.00			(2,370.00)			
2355	Site Remediation at Landfill	122,370.00		120,000.00			(1,500.00)			
2361	Various Improvements	711,500.00		710,000.00			(4,000.00)			
2377	Various Improvements	856,000.00		852,000.00			(4,000.00)			
2399	Various Redevelopment Projects	76,000.00		76,000.00						
2412	Various Improvements General Capital	517,750.00		515,000.00			(2,750.00)			
2420	Various Improvements	83,000.00		230,000.00			147,000.00			
2421	Various Redevelopment Projects	95,000.00		95,000.00						
2427	Various Redevelopment Projects	114,000.00		114,000.00						
2440	Various Redevelopment Projects	60,800.00		60,800.00						
2441	Various Improvements	642,200.00		640,000.00			(2,200.00)			
2446	Preliminary Expenditures Parking Lot	300,000.00		300,000.00						
2454	Various Redevelopment Projects	114,000.00		114,000.00						
2468	Various Redevelopment Projects	190,000.00		99,550.00	20,000.00		(90,450.00)	355,466.83		355,466.83
2470	Various Improvements	376,704.00					(1,237.17)			
2482	Site Remediation at Landfill	3,943,224.00				3,943,224.00				
2495	Various Redevelopment Projects		95,000.00					95,000.00		41,664.68
2497	Various Improvements		600,110.00					600,110.00		288,672.10
2499	Sidewalk Assessment		33,250.00					33,250.00		12,713.86
		\$ 11,498,690.83	\$ 728,360.00	\$ 6,770,000.00	\$ 20,000.00	\$ 3,943,224.00	\$ -	\$ 1,493,826.83	\$ 385,309.36	\$ 1,108,517.47

Ref. C C-8 C-2 C-2 C-7 C

SCHEDULE OF DUE FROM VARIOUS GRANTOR AGENCIES  
GRANTS RECEIVABLE  
GENERAL CAPITAL FUND

	Ordinance Number	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
Receivables:					
State Aid Allotment	2109	\$ 37,500.00			\$ 37,500.00
State Aid Allotment	2124	18,750.00			18,750.00
New Jersey DOT	2189	68,750.00			68,750.00
New Jersey DOT	2227	0.88			0.88
New Jersey DOT	2286	10,943.03			10,943.03
NJ Economic Development Authority	2355	8,979.25			8,979.25
New Jersey DOT	2361	250,000.00			250,000.00
Community Development Block Grant	2361	16,309.21			16,309.21
New Jersey DOT	2377	230,000.00			230,000.00
New Jersey DOT	2420	99,294.07			99,294.07
New Jersey DOT	2441	65,000.00			65,000.00
New Jersey DOT	2470	490,000.00		142,500.00	347,500.00
NJ Economic Development Authority	2482	12,285,890.00		2,694,116.87	9,591,773.13
New Jersey Environmental Infrastructure Trust (NJEIT)	2482		3,943,224.00	1,171,512.00	2,771,712.00
Somerset County Improvement Authority (SCIA) - Parking Lot	2484		830,000.00		830,000.00
Somerset County Improvement Authority (SCIA) - Fire Truck	2505		800,000.00		800,000.00
		<u>\$ 13,581,416.44</u>	<u>\$ 5,573,224.00</u>	<u>\$ 4,008,128.87</u>	<u>\$ 15,146,511.57</u>

Ref. C C-8 C-2 C

Deferred Charges to Future Taxation - Unfunded  
Improvement Authorizations - NJEIT

\$ 3,943,224.00  
1,630,000.00

\$ 5,573,224.00

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE - DEC. 31, 2015		2016 AUTHORIZATIONS	2015 ENCUMBRANCES	PAID OR CHARGED	2016 ENCUMBRANCES	BALANCE - DEC. 31, 2016	
				FUNDED	UNFUNDED					FUNDED	UNFUNDED
				\$	\$					\$	\$
2189	Various Improvements	07/06/05	\$ 1,595,000.00	255.38						255.38	
2217	Various Improvements	06/19/06	845,000.00	1,575.56						1,575.56	
2227	Various Improvements	04/02/07	1,098,000.00	25,880.72						16,207.15	
2272	Various Improvements	06/02/08	1,222,500.00	18,811.87					8,843.81	2,356.46	
2286	Various Improvements	02/15/09	1,185,000.00	4,326.22							
2306	Various Improvements	06/15/09	975,000.00	5,134.64						109.48	
2332	Various Improvements	06/21/10	485,000.00	31,691.14						28,257.28	
2339	Capital Grant Saker Shoprite	11/22/10	6,000,000.00	632,798.99						200,798.99	410,000.00
2355	Site Remediation at Landfill	05/16/11	1,193,833.00	10,550.29						2,794.29	
2361	Various Improvements	06/08/11	1,125,000.00	2,261.79						2,242.65	
2377	Various Improvements	02/21/12	1,225,000.00	63,483.55			1,917.50			1,821.00	
2412	Various Improvements General Capital	03/18/13	545,000.00	21,591.26			13,638.42			14,369.26	
2420	Various Improvements	08/19/13	445,000.00	110,715.78						108,864.98	
2421	Various Redevelopment Projects	08/19/13	100,000.00	1,087.50						87.50	
2427	Various Redevelopment Projects	03/03/15	120,000.00	578.30						142.54	
2441	Various Improvements	05/19/15	936,000.00	187,042.51			477,124.75			128,325.95	
2446	Preliminary Expenditures Parking Garage	06/16/15	300,000.00	249,750.72						249,750.72	
2454	Various Redevelopment Projects	10/20/15	120,000.00	138.77						138.77	
2468	Various Redevelopment Projects	05/04/15	200,000.00	140,164.49						7,388.99	
2470	Various Improvements	06/15/15	886,530.00	459,241.18			360.00			53,984.08	355,466.83
2482	Site Remediation at Landfill	12/07/15	16,229,114.00	12,285,890.00						12,503,796.70	
2484	Parking Lot Project - SCIA	01/04/16	830,000.00	830,000.00		830,000.00				830,000.00	
2495	Various Redevelopment Projects	03/21/16	100,000.00	100,000.00		100,000.00				2,700.00	41,664.68
2497	Various Improvements	03/21/16	631,695.00	631,695.00		631,695.00				50,168.66	288,672.10
2499	Sidewalk Assessment	04/18/16	35,000.00	35,000.00		35,000.00				22,286.14	12,713.86
2505	Purchase of a Fire Truck - SCIA	09/19/16	800,000.00	800,000.00		800,000.00				725,236.43	
				\$ 12,745,131.18	\$ 5,827,767.48	\$ 2,396,695.00	\$ 493,040.67	\$ 5,211,406.96	\$ 914,678.60	\$ 14,228,031.30	\$ 11,108,517.47

Ref	C	C-2	C	C
Capital Improvement Fund				
Deferred Charges to Future Taxation - Unfunded				
Grants/SCIA Loans Receivable				
	\$ 38,335.00			
	728,360.00			
	1,630,000.00			
	\$ 2,396,695.00			

SCHEDULE OF BOND ANTICIPATION NOTES

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE OF ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2015	DECREASED	BALANCE DEC. 31, 2016
2189	Various Improvements	03/10/11	10/14/15	04/15/16	1.00%	\$ 92,250.00	\$ 92,250.00	\$ -
2217	Various Improvements	03/10/11	10/14/15	04/15/16	1.00%	230,950.00	230,950.00	-
2227	Various Improvements	03/10/11	10/14/15	04/15/16	1.00%	410,800.00	410,800.00	-
2245	Various Redevelopment Improvements	03/10/11	10/14/15	04/15/16	1.00%	181,350.00	181,350.00	-
2272	Various Improvements	03/10/11	10/14/15	04/15/16	1.00%	133,800.00	133,800.00	-
2286	Various Improvements	08/05/10	10/14/15	04/15/16	1.00%	193,600.00	193,600.00	-
2306	Various Improvements	08/05/10	10/14/15	04/15/16	1.00%	489,100.00	489,100.00	-
2319	Various Redevelopment Improvements	08/05/10	10/14/15	04/15/16	1.00%	441,700.00	441,700.00	-
2332	Various Improvements	08/05/10	10/14/15	04/15/16	1.00%	205,100.00	205,100.00	-
2339	Capital Grant to Sakar Shoprites Inc	10/28/11	10/14/15	04/15/16	1.00%	250,000.00	250,000.00	-
2352	Parking Lot Improvements	05/24/12	10/14/15	04/15/16	1.00%	135,000.00	135,000.00	-
2355	Site Remediation at Landfill	03/06/13	10/14/15	04/15/16	1.00%	100,000.00	100,000.00	-
2361	Various Improvements	05/24/12	10/14/15	04/15/16	1.00%	690,000.00	690,000.00	-
2377	Various Improvements	05/24/12	10/14/15	04/15/16	1.00%	632,000.00	632,000.00	-
2399	Various Redevelopment Improvements	03/06/13	10/14/15	04/15/16	1.00%	76,000.00	76,000.00	-
2412	Various Improvements	03/05/14	10/14/15	04/15/16	1.00%	495,000.00	495,000.00	-
2421	Various Redevelopment Improvements	03/05/14	10/14/15	04/15/16	1.00%	95,000.00	95,000.00	-
2306	Various Improvements	08/14/14	10/14/15	04/15/16	1.00%	30,000.00	30,000.00	-
2332	Various Improvements	08/14/14	10/14/15	04/15/16	1.00%	20,000.00	20,000.00	-
2352	Parking Lot Improvements	08/14/14	10/14/15	04/15/16	1.00%	60,000.00	60,000.00	-
2355	Site Remediation at Landfill	08/14/14	10/14/15	04/15/16	1.00%	20,000.00	20,000.00	-
2361	Various Improvements	08/14/14	10/14/15	04/15/16	1.00%	20,000.00	20,000.00	-
2377	Various Improvements	08/14/14	10/14/15	04/15/16	1.00%	220,000.00	220,000.00	-
2412	Various Improvements	08/14/14	10/14/15	04/15/16	1.00%	20,000.00	20,000.00	-
2420	Various Improvements	08/14/14	10/14/15	04/15/16	1.00%	230,000.00	230,000.00	-
2427	Various Redevelopment Improvements	08/14/14	10/14/15	04/15/16	1.00%	114,000.00	114,000.00	-
2440	Various Redevelopment Improvements	08/14/14	10/14/15	04/15/16	1.00%	60,800.00	60,800.00	-
2441	Various Improvements	08/14/14	10/14/15	04/15/16	1.00%	640,000.00	640,000.00	-
2446	Prelim Expenditures Parking Lot	08/14/14	10/14/15	04/15/16	1.00%	300,000.00	300,000.00	-
2454	Various Redevelopment Projects	10/14/15	10/14/15	04/15/16	1.00%	114,000.00	114,000.00	-
2468	Various Redevelopment Projects	10/14/15	10/14/15	04/15/16	1.00%	99,550.00	99,550.00	-
						<u>\$6,800,000.00</u>	<u>\$6,800,000.00</u>	<u>\$ -</u>

Ref. C C-2 C

SCHEDULE OF GENERAL SERIAL BONDS

DESCRIPTION	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	MATURITIES OF LOANS DATE	AMOUNT	BALANCE	INCREASE	DECREASED	BALANCE
						DEC. 31, 2015			DEC. 31, 2016
General Improvements	08/01/06	\$3,830,000.00	4.000%	08/01/16	\$ 295,000.00	\$ 295,000.00	\$	295,000.00	\$ -
County Guaranteed Governmental Loan Revenue Bonds Series 2009B	10/01/09	3,360,000.00	3.000%	10/01/16	240,000.00	2,285,000.00	240,000.00	240,000.00	2,045,000.00
			3.000%	10/01/17-19	265,000.00				
			3.250%	10/01/20	265,000.00				
			3.750%	10/01/21	265,000.00				
			3.500%	10/01/22	265,000.00				
			4.000%	10/01/23	265,000.00				
			4.000%	10/01/24	190,000.00				
County Guaranteed Governmental Loan Revenue Bonds Series 2009C	10/01/09	3,640,000.00	4.500%	10/01/16	260,000.00	2,465,000.00	260,000.00	260,000.00	2,205,000.00
			5.000%	10/01/17-20	285,000.00				
			5.125%	10/01/21-22	285,000.00				
			5.250%	10/01/23	285,000.00				
			5.250%	10/01/24	210,000.00				
General Improvements	02/08/12	5,340,000.00	2.000%	09/15/16	330,000.00	4,485,000.00	330,000.00	330,000.00	4,155,000.00
			2.000%	09/15/17	375,000.00				
			2.000%	09/15/18	385,000.00				
			2.000%	09/15/19	395,000.00				
			2.000%	09/15/20	400,000.00				
			2.000%	09/15/21	410,000.00				
			2.000%	09/15/22	420,000.00				
			2.000%	09/15/23	430,000.00				
			2.100%	09/15/24	440,000.00				
			2.250%	09/15/25	475,000.00				
			2.375%	09/15/26	425,000.00				
County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2012	03/15/12	3,260,000.00	3.000%	03/15/16	630,000.00	1,995,000.00	630,000.00	630,000.00	1,365,000.00
			4.000%	03/15/17	680,000.00				
			4.000%	03/15/18	685,000.00				



SCHEDULE OF GENERAL SERIAL BONDS

DESCRIPTION	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	MATURITIES OF LOANS DATE	AMOUNT	BALANCE	INCREASE	DECREASED	BALANCE
						DEC. 31, 2015			DEC. 31, 2016
County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2014B	08/01/14	1,465,000.00	2.000%	08/01/17	305,000.00	1,445,000.00			1,445,000.00
			4.000%	08/01/18	300,000.00				
			4.000%	08/01/19	295,000.00				
			4.000%	08/01/20	295,000.00				
			4.000%	08/01/21	250,000.00				
General Obligation Bonds	04/14/16	6,770,000.00	1.000%	02/15/17	300,000.00	6,770,000.00			6,770,000.00
			1.250%	02/15/18	325,000.00				
			1.375%	02/15/19	350,000.00				
			1.500%	02/15/20	375,000.00				
			1.750%	02/15/21	385,000.00				
			2.000%	02/15/22	400,000.00				
			2.000%	02/15/23	415,000.00				
			2.000%	02/15/24	425,000.00				
			2.000%	02/15/25	450,000.00				
			2.000%	02/15/26	500,000.00				
			2.000%	02/15/27	525,000.00				
2.000%	02/15/28	550,000.00							
2.750%	02/15/29	570,000.00							
3.000%	02/15/30	600,000.00							
3.000%	02/15/31	600,000.00							
						\$ 12,970,000.00	\$ 6,770,000.00	\$ 1,755,000.00	\$ 17,985,000.00

Ref

C

C-5

C-5

C

SCHEDULE OF INTERFUNDS  
GENERAL CAPITAL FUND

REF.	TOTAL	CURRENT FUND	ASSESSMENT TRUST FUND	TRUST OTHER FUND	SEWER OPERATING FUND
Balance - December 31, 2015	\$ 260,620.63	\$ 58,051.83	\$ 153,868.80	\$ (6,300.00)	\$ 55,000.00
Due from/(to)					
Increased by:					
Cash Receipts	(300,000.00)			(300,000.00)	
Cash Disbursements	2,110.00	2,110.00			
Grants Receivable	-				
	<u>(37,269.37)</u>	<u>60,161.83</u>	<u>153,868.80</u>	<u>(306,300.00)</u>	<u>55,000.00</u>
Decreased by:					
Cash Receipts	57,110.00	2,110.00			55,000.00
Cash Disbursements	<u>(6,300.00)</u>			<u>(6,300.00)</u>	
	<u>50,810.00</u>	<u>2,110.00</u>	<u>-</u>	<u>(6,300.00)</u>	<u>55,000.00</u>
Balance - December 31, 2016	\$ (88,079.37)	\$ 58,051.83	\$ 153,868.80	\$ (300,000.00)	\$ -
Due from/(to)					

Exhibit - C-12

SCHEDULE OF DUE FROM SOMERSET COUNTY  
IMPROVEMENT AUTHORITY

	<u>REF.</u>	
Balance - December 31, 2015	C	\$ 341,019.34
Increased by:		
Cash Disbursements	C-2	<u>225,189.50</u>
		566,208.84
Decreased by:		
Cash Receipts	C-2	<u>562,905.50</u>
Balance - December 31, 2016	C	<u><u>\$ 3,303.34</u></u>

Exhibit - C-13

SCHEDULE OF ERG RESERVE FOR PAYMENT OF  
FUTURE DEBT SERVICE

	<u>REF.</u>	
Balance - December 31, 2015	C	\$ 464,642.60
Increased by:		
Cash Receipts	C-2	<u>503,508.07</u>
		968,150.67
Decreased by:		
2016 Current Fund Budget Revenue	C-2	<u>400,000.00</u>
Balance - December 31, 2016	C	<u><u>\$ 568,150.67</u></u>

Exhibit - C-14

SCHEDULE OF RESERVE FOR PAYMENT OF  
FUTURE DEBT SERVICE

	<u>REF.</u>	
Increased by:		
Cash Receipts	C-2	\$ 29,890.00
Balance - December 31, 2016	C	<u><u>\$ 29,890.00</u></u>

SCHEDULE OF SCIA LEASE PAYABLE

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF LOANS DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31,</u>		
						<u>2015</u>	<u>2016</u>	
SCIA Lease Payable	2008	\$ 555,500.00	3.82%	01/01/17	\$ 31,125.99	\$ 188,629.43	\$ 60,512.81	\$ 128,116.62
			3.82%	07/01/17	31,720.49			
			3.82%	01/01/18	32,326.35			
			3.82%	07/01/18	32,943.79			
SCIA Lease Payable	2010					8,103.37	8,103.37	-
SCIA Lease Payable	2011	670,000.00				113,695.73	113,695.73	-
SCIA Lease Payable	2012	205,000.00	2.10%	01/01/17	21,289.04	106,456.79	41,917.89	64,538.90
			2.10%	07/01/17	21,512.18			
			2.10%	01/01/18	21,737.68			
SCIA Lease Payable	2014	296,154.22	2.10%	05/15/17	36,786.98		296,154.22	265,763.84
			2.10%	11/15/17	37,173.24			
			2.10%	05/15/18	37,563.56			
			2.10%	11/15/18	37,957.98			
			2.10%	05/15/19	38,356.54			
			2.10%	11/15/19	38,759.28			
			2.10%	05/15/20	39,166.26			
SCIA Lease Payable	2015	229,526.03	2.10%	05/15/17	27,652.89		229,526.03	229,526.03
			2.10%	11/15/17	27,943.24			
			2.10%	05/15/18	28,236.65			
			2.10%	11/15/18	28,533.13			
			2.10%	05/15/19	28,832.73			
			2.10%	11/15/19	29,135.47			
			2.10%	05/15/20	29,441.39			
			2.10%	11/15/20	29,750.53			
SCIA Lease Payable - Parking Lot Project	2016	830,000.00	0.77%	04/01/17	25,000.00		830,000.00	830,000.00
			0.91%	04/01/18	25,000.00			
			0.91%	4/1/2019-20	30,000.00			
			1.27%	4/1/2021-22	30,000.00			
			1.27%	4/1/2023-25	35,000.00			
			1.88%	4/1/2026-27	40,000.00			
			1.88%	4/1/2028-30	45,000.00			
			2.20%	4/1/2031-32	50,000.00			
			2.20%	04/01/33	55,000.00			
			2.20%	4/1/2034-35	60,000.00			
			2.45%	04/01/36	65,000.00			

SCHEDULE OF SCIA LEASE PAYABLE

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF LOANS DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31,</u>	
						<u>2015</u>	<u>2016</u>
SCIA Lease Payable - Fire Truck	2016	\$ 808,000.00	2.25%	09/01/17	\$ 27,665.58	\$	\$ 808,000.00
			2.25%	03/01/18	37,066.82		
			2.25%	09/01/18	37,483.82		
			2.25%	03/01/19	37,905.52		
			2.25%	09/01/19	38,331.95		
			2.25%	03/01/20	38,763.19		
			2.25%	09/01/20	39,199.27		
			2.25%	03/01/21	39,640.27		
			2.25%	09/01/21	40,086.22		
			2.25%	03/01/22	40,537.19		
			2.25%	09/01/22	40,993.23		
			2.25%	03/01/23	41,454.41		
			2.25%	09/01/23	41,920.77		
			2.25%	03/01/24	42,392.38		
			2.25%	09/01/24	42,869.29		
			2.25%	03/01/25	43,351.57		
			2.25%	09/01/25	43,839.28		
			2.25%	03/01/26	44,332.47		
			2.25%	09/01/26	44,831.21		
			2.25%	03/01/27	45,335.56		
						\$ 416,885.32	\$ 2,163,680.25
							\$ 254,620.18
							\$ 2,325,945.39

Ref.

C C-5 C-5 C

SCHEDULE OF LOANS PAYABLE  
NJ ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN PAYABLE

	Ref.	
Increased by:		
NJEIT Loan	C-5	\$ 3,943,224.00
Balance - December 31, 2016	C	<u>\$ 3,943,224.00</u>

SCHEDULE OF BONDS AND NOTES  
 AUTHORIZED BUT NOT ISSUED  
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2015	2016 AUTHORIZATIONS	2015 BANS REDEEMED	2015 EXCESS BANS	2016 BONDS ISSUED	NET	CASH RECEIPTS	ADJUSTMENTS	BALANCE DEC. 31, 2016
		\$	\$	\$	\$	\$	\$	\$	\$	\$
	<u>General Improvements</u>									
2018	Local Improvements - Sidewalks	5,125.00				7,000.00			(5,125.00)	-
2141	Various Improvements	7,550.00				92,250.00			(550.00)	-
2189	Various Improvements	255.38		92,250.00	(255.38)	3,000.00			(749.83)	-
2211	Various Improvements - Vanderveer Field	3,749.83				230,950.00			(60,950.00)	-
2217	Various Improvements	60,950.00		230,950.00	(47,380.72)	410,800.00			21,500.00	-
2227	Various Redevelopment Improvements	25,880.72		410,800.00	(3,100.00)	181,350.00			3,100.00	-
2245	Various Improvements	-		181,350.00	(18,011.87)	133,800.00			(800.00)	-
2272	Various Redevelopment Improvements	18,811.87		133,800.00	(13,756.22)	193,600.00			9,430.00	-
2286	Various Improvements	4,326.22		193,600.00	(18,234.64)	519,100.00			13,100.00	-
2306	Various Redevelopment Improvements	5,134.64		519,100.00	(2,750.00)	441,700.00			2,750.00	-
2319	Various Redevelopment Improvements	-		441,700.00	(4,870.00)	225,100.00			4,870.00	-
2332	Various Improvements	-		225,100.00		250,000.00				410,000.00
2339	Capital Grant Saker Shoprite	410,000.00		250,000.00	(10,932.00)	155,000.00			(29,068.00)	-
2352	Parking Lot Improvements	-		195,000.00		120,000.00			(2,370.00)	-
2355	Site Remediation at Landfill	2,370.00		120,000.00	(500.00)	710,000.00			(1,500.00)	-
2361	Various Improvements	2,000.00		710,000.00		852,000.00			(4,000.00)	-
2377	Various Redevelopment Improvements	4,000.00		852,000.00		76,000.00				-
2399	Various Redevelopment Improvements	-		76,000.00		515,000.00			(3,750.00)	-
2412	Various Redevelopment Improvements	2,750.00		515,000.00	(150,341.25)	230,000.00			147,000.00	-
2420	Various Redevelopment Improvements	3,341.25		230,000.00		95,000.00				-
2421	Various Redevelopment Improvements	-		95,000.00		114,000.00				-
2427	Various Redevelopment Improvements	-		114,000.00		60,800.00				-
2440	Various Redevelopment Improvements	-		60,800.00		640,000.00			(2,200.00)	-
2441	Various Improvements	2,200.00		640,000.00		300,000.00				-
2446	Prelim Expenditures Parking Lot	-		300,000.00		114,000.00				-
2454	Various Redevelopment Projects	-		114,000.00		99,550.00			(90,450.00)	-
2468	Various Redevelopment Projects	90,450.00		99,550.00				20,000.00	(1,237.17)	355,466.83
2470	Various Redevelopment Projects	376,704.00								-
2482	Site Remediation at Landfill	3,943,224.00					3,943,224.00			95,000.00
2495	Various Redevelopment Projects	-								600,110.00
2497	Various Improvements	-								33,250.00
2499	Sidewalk Assessment	-								33,250.00
		\$ 4,968,822.91	\$ 728,360.00	\$ 6,800,000.00	\$ (270,132.08)	\$ 6,770,000.00	\$ 3,943,224.00	\$ 20,000.00	\$ -	\$ 1,493,826.83

Ref.

C

**Sewer Utility Fund**



SCHEDULE OF SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>
Balance - December 31, 2015	D	\$ 151,591.58
Increased by Receipts:		
Miscellaneous Revenue	D-3	61,705.57
Consumer Accounts Receivable	D-8	2,747,570.93
Sewer Overpayments	D-9	39,313.36
Prepaid Sewer Charges	D-10	<u>3,462.76</u>
		<u>2,852,052.62</u>
		3,003,644.20
Decreased by Disbursements:		
2016 Budget Appropriations	D- 4	2,183,069.27
Overpayment Refunds	D- 9	8,164.42
Interfunds Receivable/Payable	D-14	610,094.13
2015 Appropriation Reserves	D-16	8,478.77
Accrued Interest Payable	D-17	<u>1,428.00</u>
		<u>2,811,234.59</u>
Balance - December 31, 2016	D	<u>\$ 192,409.61</u>

SCHEDULE OF SEWER UTILITY CHANGE FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 50.00
Balance - December 31, 2016	D	<u>\$ 50.00</u>

ANALYSIS OF SEWER UTILITY CAPITAL CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2016</u>
Fund Balance	\$ 982.33
Capital Improvement Fund	134,000.00
Improvement Authorizations Funded	82.50
Improvement Authorizations Unfunded	47,302.24
Bonds and Notes Authorized but not Issued	(682,527.55)
Down Payments on Improvements	732.00
Due to Sewer Operating Fund	<u>499,428.48</u>
	<u>\$ -</u>

( ) Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 300,445.31
Increased by:		
Sewer Utility Billings (Net)	Reserve	<u>2,733,293.40</u>
		3,033,738.71
Decreased by:		
Collected	D-5	2,747,570.93
Prepaid Applieds	D-10	<u>3,864.70</u>
	D-1,D-2	<u>2,751,435.63</u>
Balance - December 31, 2016	D	<u><u>\$ 282,303.08</u></u>

SEWER RENTS OVERPAYMENTS  
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 4,264.09
Increased by:		
Cash Receipts	D-5	<u>39,313.36</u>
		43,577.45
Decreased by:		
Refunded	D-5	<u>8,164.42</u>
Balance - December 31, 2016	D	<u><u>\$ 35,413.03</u></u>

Exhibit - D-10

PREPAID SEWER RENTS  
SEWER UTILITY OPERATING FUND  
REF.

Balance - December 31, 2015	D	\$ 3,864.70
Increased by:		
Cash Receipts	D-5	<u>3,462.76</u>
		7,327.46
Decreased by:		
Applied to Rents Receivable	D-8	<u>3,864.70</u>
Balance - December 31, 2016	D	<u><u>\$ 3,462.76</u></u>

Exhibit - D-11

SCHEDULE OF TAX TITLE LIENS RECEIVABLE  
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 240.00
Balance - December 31, 2016	D	<u><u>\$ 240.00</u></u>

SCHEDULE OF SERIAL BONDS PAYABLE  
SEWER UTILITY CAPITAL FUND

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2016</u>	
						<u>BALANCE DEC. 31, 2015</u>	<u>BALANCE DEC. 31, 2016</u>
Sewer Utility Bonds	02/01/99	\$ 1,200,000.00				\$ 68,000.00	\$ -
						\$ 68,000.00	\$ -

Ref.

D

D-22

D

D

SCHEDULE OF FIXED CAPITAL  
SEWER UTILITY CAPITAL FUND

	Ref.	
Balance - December 31, 2015	D	\$ 2,922,048.59
Increased by:		
Transferred from Fixed Capital Authorized & Uncompleted	D-15	<u>331,904.50</u>
Balance - December 31, 2016	D	<u>\$ 3,253,953.09</u>

SEWER OPERATING  
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	Dec. 31, 2015	Cash Disbursements	Dec. 31, 2016
Interfunds:			
Sewer Capital Fund	\$ (167,523.98)	\$ 331,904.50	\$ (499,428.48)
Current Fund	(11,579.04)		(11,579.04)
General Capital Fund	55,000.00	55,000.00	-
Trust Other Fund	<u>223,189.63</u>	<u>223,189.63</u>	<u>-</u>
Interfunds Receivable	(179,103.02)		(511,007.52)
Interfunds Payable	278,189.63		-
Total	<u>\$ 99,086.61</u>	<u>\$ 610,094.13</u>	<u>\$ (511,007.52)</u>
<u>Ref.</u>	D	D-5	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	DATE	ORDINANCE		BALANCE DEC. 31, 2015	AUTH	TRANSFERRED TO FIXED CAPITAL	BALANCE DEC. 31, 2016
			AMOUNT	AMOUNT				
<u>General Improvements:</u>								
2184	Sewer Rehabilitation	02/07/09	\$ 150,000.00		\$ 82.50			\$ 82.50
2307	Various Sewer Improvements	06/15/09	50,000.00		2,211.53			2,211.53
2378	Various Sewer Improvements	02/21/12	150,000.00		16,995.21			16,995.21
2501	Various Sewer Improvements	05/02/16	360,000.00			360,000.00	331,904.50	28,095.50
					<u>\$ 19,289.24</u>	<u>\$ 360,000.00</u>	<u>\$ 331,904.50</u>	<u>\$ 47,384.74</u>
					D	D-18	D-13	D
					<u>Ref.</u>			

SCHEDULE OF 2015 APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND

	BALANCE DEC. 31, 2015	RESERVE FOR ENCUMBRANCES DEC. 31, 2015	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operating:					
Salaries and Wages	\$ 9,457.13	\$	9,457.13	\$	9,457.13
Other Expenses	14,123.09	4,923.00	19,046.09	8,478.77	10,567.32
Sewerage Authority (R.S. 40:14A-9):					
Share of Costs	4,055.84		4,055.84		4,055.84
Deferred Charges:					
Deficit in Operations	<u>0.55</u>		<u>0.55</u>		<u>0.55</u>
	<u>\$ 27,636.61</u>	<u>\$ 4,923.00</u>	<u>\$ 32,559.61</u>	<u>\$ 8,478.77</u>	<u>\$ 24,080.84</u>

<u>Ref</u>	D	D	D	D-5	D-1
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SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES  
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 1,190.00
Increased by:		
Accrued Interest Charged to:		
2016 Budget Appropriations	D-4	<u>1,428.00</u>
		2,618.00
Decreased by:		
Payment	D-5	<u>1,428.00</u>
Balance - December 31, 2016	D	<u><u>\$ 1,190.00</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE DEC. 31, 2015		2016 AUTHOR.	PAID OR CHARGED	BALANCE DEC. 31, 2016	
				FUNDED	UNFUNDED			FUNDED	UNFUNDED
	<u>General Improvements:</u>								
2184	Sewer Rehabilitation	02/07/05	\$ 150,000.00	\$ 82.50	\$	\$	\$ 82.50	\$	
2307	Various Sewer Improvements	06/15/09	50,000.00	2,211.53					2,211.53
2378	Various Sewer Improvements	02/21/12	150,000.00	16,995.21					16,995.21
2501	Various Sewer Improvements	05/02/16	360,000.00		360,000.00		331,904.50		28,095.50
				<u>\$ 82.50</u>	<u>\$ 19,206.74</u>	<u>\$ 360,000.00</u>	<u>\$ 331,904.50</u>	<u>\$ 82.50</u>	<u>\$ 47,302.24</u>

Ref.

D

D

D-15

D-21

D

D

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND  
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 152,000.00
Decreased by:		
Approp. to Finance Improv. Author.	D-23	<u>18,000.00</u>
Balance - December 31, 2016	D	<u>\$ 134,000.00</u>

SCHEDULE OF RESERVE FOR DOWN PAYMENTS ON IMPROVEMENTS  
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 732.00
Balance - December 31, 2016	D	<u>\$ 732.00</u>

SCHEDULE OF DUE TO SEWER OPERATING FUND  
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2015	D	\$ 167,523.98
Increased by:		
Improvement Authorizations Paid by Operating Fund	D-18	<u>331,904.50</u>
Balance - December 31, 2016	D	<u>\$ 499,428.48</u>

SCHEDULE OF RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>
Balance - December 31, 2015	D
	\$ 2,512,727.78
Increased by:	
Serial Bonds Paid	D-24
	<u>68,000.00</u>
Balance - December 31, 2016	D
	<u>\$ 2,580,727.78</u>

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	<u>DATE</u>	BALANCE DEC. 31, 2015	CAPITAL IMPROVEMENT FUND	BALANCE DEC. 31, 2016
	<u>General Improvements:</u>				
2184	Sewer Rehabilitation	02/07/09	\$ 82.50		\$ 82.50
2307	Sewer Improvements	06/15/99	5,000.00		5,000.00
2360	Sewer Improvements	06/08/11	5,000.00		5,000.00
2378	Sewer Improvements	02/21/12	10,000.00		10,000.00
2501	Sewer Improvements	05/02/16		18,000.00	18,000.00
				<u>18,000.00</u>	
			<u>\$ 20,082.50</u>	<u>\$ 18,000.00</u>	<u>\$ 38,082.50</u>

Ref.

D

D-19

D

SCHEDULE OF BONDS AND NOTES  
AUTHORIZED BUT NOT ISSUED

<u>ORD.</u> <u>NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>	<u>2016</u> <u>AUTHORIZATIONS</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
1143	Various Sewer Improvements	\$ 469.83		\$ 469.83
2142	Various Sewer Improvements	44,999.72		44,999.72
2190	Acquisition of Wash Down Truck	58.00		58.00
2190	Various Sewer Improvements	70,000.00		70,000.00
2307	Various Sewer Improvements	45,000.00		45,000.00
2360	Various Sewer Improvements	40,000.00		40,000.00
2378	Various Sewer Improvements	140,000.00		140,000.00
2501	Various Sewer Improvements		<u>342,000.00</u>	<u>342,000.00</u>
		<u>\$ 340,527.55</u>	<u>\$ 342,000.00</u>	<u>\$ 682,527.55</u>

Ref.

Footnote D

**Public Assistance Trust Fund**

SCHEDULE OF DUE TO/FROM TRUST OTHER FUND  
PUBLIC ASSISTANCE TRUST FUND

	<u>REF.</u>	
Balance - December 31, 2015	E	\$25,533.60
Balance - December 31, 2016	E	<u>\$25,533.60</u>

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance - December 31, 2015	E	\$25,533.60
Balance - December 31, 2016	E	<u>\$25,533.60</u>

**BOROUGH OF SOMERVILLE**  
**SOMERSET COUNTY, NEW JERSEY**

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**PART V**  
**SUPPLEMENTARY DATA**



**LENGTH OF SERVICE AWARD PROGRAM – (LOSAP) (UNAUDITED)**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Somerville  
County of Somerset, New Jersey

We have reviewed the accompanying statement of assets, liabilities and net assets of the Borough of Somerville Length of Service Award Program (LOSAP) as of December 31, 2016, and the related statement of revenues, expenses and other changes in net assets for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the administration of the Borough. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Borough is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles and practices prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the accounting principles generally accepted in the United States of America.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 14, 2017

BOROUGH OF SOMERVILLE  
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
(UNAUDITED)  
AS AT DECEMBER 31, 2016

## Assets

Investments, at fair value	\$ <u>427,892.97</u>
Total Assets	\$ <u><u>427,892.97</u></u>

## Net Assets

Restricted	\$ <u>427,892.97</u>
Total Net Assets	\$ <u><u>427,892.97</u></u>

See Accompanying Notes and Accountant's Review Report

BOROUGH OF SOMERVILLE  
SCHEDULE OF LENGTH OF SERVICE  
AWARD PROGRAM (LOSAP) - (UNAUDITED)  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Restricted Net Assets	
Contributions	\$ 27,270.00
Interest Earned	2,586.57
Appreciation	24,567.03
Withdrawals	<u>(10,072.38)</u>
 Increase in Net Assets	 44,351.22
 Net Assets - Beginning of the Year	 <u>383,541.75</u>
 Net Assets - End of the Year	 <u>\$ 427,892.97</u>

See Accompanying Notes and Accountant's Review Report

BOROUGH OF SOMERVILLE  
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO FINANCIAL STATEMENTS – (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Borough of Somerville's Length of Service Award Program (LOSAP) is a qualified plan under Internal Revenue Code Section 457(e) and pursuant to P.L. 1997, c.388, as amended by P.L. 2001, c.272. The Borough established the LOSAP Program to reward members of the Somerville Fire Department and Somerville First Aid and Rescue Squad on July 23, 2001 through Ordinance #2113. LOSAP provides for fixed annual contributions to a deferred income account for volunteer fire departments and rescue squad members who meet specified service criteria. LOSAP shall provide for annual contribution to each eligible member that meets the criteria as provided in the LOSAP Point System. The Borough of Somerville sponsors LOSAP through an annual award appropriated through the municipal budget.

B. Basis of Presentation

The accounting policies of the Borough of Somerville (the "Borough"), Length of Service Award Program (LOSAP) (the "Program") conform to the accounting principles and practices prescribed by the division of Local Government Services, Division of Community Affairs, State of New Jersey.

C. Description of Program

The Program was created in accordance with the Internal Revenue Code Section 457. The Program is offered to all volunteer members that meet the criteria set by the Borough, and provides for fixed annual contributions for all eligible members. The deferred compensation is not available to volunteer members until termination, retirement, death, or unforeseeable emergency. Earnings of the Program and contributions by the Borough are subject to vesting provisions of the plan and are exempt from income taxes until distribution to the participating volunteers.

The Borough offers the Program to the participants through the Valic Financial Group.

All amounts of compensation deferred under the Program, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are (until paid or made available to the volunteer or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the Program), subject only to the claims of the Borough's general creditors. Participant's rights under the Program are equal to those of general creditors of the Borough in an amount equal to the fair market value of the deferred account for each participant.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Description of Program (Cont'd.)

In accordance with standards established by the Governmental Accounting Standards Board, the Program balances are displayed in the Trust Fund of the Borough. The Program is tax exempt under Internal revenue Code Section 457.

D. Amount of Contribution

The Borough shall provide for annual contributions of \$757.50 to each eligible member. The amount of the contribution for any year is provided 100% by the Borough of Somerville.

NOTE 2: QUALIFICATIONS

The LOSAP shall provide for annual contributions for each eligible member who meets the criteria as follows:

Each active volunteer of the Somerville Fire Department and Somerville First Aid Squad who accumulates at least one hundred (100) points in a calendar year shall have \$757.50 dollars deposited into a tax deferred income account.

The estimated cost of the program has been calculated to be \$30,000.00 for regular annual services.

Eligible members will be ranked on an organizational list based upon the number of calls responded to. The LOSAP shall provide for annual contributions of \$500.00 to each eligible member who shall be within the top 50% of responders in each volunteer organization. Eligible members shall be those who:

Somerville Fire Department:

- a) Attend to up to 45 hours of training courses for a maximum of 30 points;
- b) Attend scheduled and special drills/training exercises up to a maximum of 40 points;
- c) Attend regular and special meetings up to a maximum of 20 points;
- d) Attend alarm responses receiving 1 point above 19% response rate up to a maximum of 50 points;
- e) Attend all other approved activities up to a maximum of 15 points.

NOTE 2: QUALIFICATIONS (CONT'D.)

Somerville First Aid and Rescue Squad Department:

- a) Attend to up to 45 hours of training courses for a maximum of 30 points;
- b) Attend drills for up to a maximum of 25 points;
- c) Provide services for stand by for special events up to a maximum of 10 points;
- d) Memorial Day/Inspection Day participation for a maximum of 10 points;
- e) Hold an elected for appointed position for up to a maximum of 25 points;
- f) Attend monthly and special meetings up to a maximum of 25 points.
- g) Emergency responses up to a maximum of 25 points;
- h) Attend all other approved activities up to a maximum of 25 points.

**OTHER SUPPLEMENTARY DATA**



BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2016

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	SEWER UTILITY FUND	PUBLIC ASSISTANCE FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM TOTAL ONLY	
							DEC. 31, 2016	DEC. 31, 2015
Cash and Investments	\$ 6,598,166.12	\$ 2,907,914.31	\$ 540,940.57	\$ 192,459.61	\$	\$	\$ 10,239,480.61	\$ 8,413,958.83
Cash Held by Trustee		427,892.97					427,892.97	383,541.75
Accounts Receivable:								
State & Federal Grants Receivable	673,408.13	52,712.89	15,146,511.57				15,872,632.59	15,274,902.74
Prospective Assessments Funded								5,000.00
Taxes, Assessments, Liens & Utility Charges	975,466.85	4,907.84		282,543.08			1,262,917.77	1,109,708.48
Interfund Loans	302,487.54	705,806.42	211,920.63	511,007.52	25,533.60		1,756,755.71	1,565,375.51
Other Accounts Receivable	71,823.09		3,303.34				75,126.43	368,622.63
Property Acquired for Taxes at Assessed Valuation	28,500.00						28,500.00	28,500.00
Fixed Assets - General						30,333,329.00	30,333,329.00	28,568,779.00
Fixed Capital - Utility				3,301,337.83			3,301,337.83	2,941,337.83
Deferred Charges to Future Taxation:								
General Capital Fund			25,747,996.22				25,747,996.22	24,885,576.15
	\$ 8,649,851.73	\$ 4,099,234.43	\$ 41,650,672.33	\$ 4,287,348.04	\$ 25,533.60	\$ 30,333,329.00	\$ 89,045,969.13	\$ 83,545,302.92
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>								
Bonds and Notes Payable	\$	\$	\$ 17,985,000.00	\$	\$	\$	\$ 17,985,000.00	\$ 19,843,000.00
Loans Payable			6,269,169.39				6,269,169.39	416,885.32
Prepaid Taxes, Assessments, Utility Charges and Licenses	264,688.69			3,462.76			268,151.45	321,727.36
Tax, Assessment, Lien, License and Utility Charge Overpayments	20,765.55			35,413.03			56,178.58	7,381.79
Appropriation Reserves	800,971.69			35,431.33			836,403.02	665,011.23
Reserve for Encumbrances/Accounts Payable	683,780.48	12,565.11	914,678.60	7,350.88			1,618,375.07	910,004.44
Amts. Pledged to Specific Purposes	914,649.76	3,874,538.93	615,072.50	135,922.00	25,533.60		5,565,716.79	5,920,459.69
Improvement Authorizations			15,336,548.77	47,384.74			15,383,933.51	18,592,187.90
Interfund Loans	755,664.36	201,662.87	300,000.00	499,428.48			1,756,755.71	1,565,375.51
Investments in Governmental Fixed Assets						30,333,329.00	30,333,329.00	28,568,779.00
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				2,618,810.28			2,618,810.28	2,532,810.28
Reserve for Certain Assets Acquired or Receivables & Inventories	1,082,799.54			282,543.08			1,365,342.62	1,397,705.88
Fund Balance	4,126,531.66	10,487.52	230,203.07	621,601.46			4,988,803.71	2,803,974.52
	\$ 8,649,851.73	\$ 4,099,234.43	\$ 41,650,672.33	\$ 4,287,348.04	\$ 25,533.60	\$ 30,333,329.00	\$ 89,045,969.13	\$ 83,545,302.92

COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - CURRENT FUND

Revenue and Other <u>Income Realized</u>	Year 2016		Year 2015	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$ 1,630,000.00	3.49	\$ 1,500,000.00	2.90
Miscellaneous - From Other Than Local Property Tax Levies	5,305,487.23	11.36	10,927,898.51	21.15
Collection of Delinquent Taxes and Tax Title Liens	644,876.83	1.38	645,732.21	1.25
Collection of Current Tax Levies	<u>39,142,348.61</u>	<u>83.78</u>	<u>38,586,702.41</u>	<u>74.69</u>
Total Income	<u>46,722,712.67</u>	<u>100.00</u>	<u>51,660,333.13</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	15,639,035.77	35.83	22,183,985.03	44.63
County Taxes	4,864,305.22	11.14	4,797,994.79	9.65
Local School Taxes	22,646,816.00	51.88	22,225,708.00	44.72
Other Expenditures	<u>503,069.05</u>	<u>1.15</u>	<u>496,605.93</u>	<u>1.00</u>
Total Expenditures	<u>43,653,226.04</u>	<u>100.00</u>	<u>49,704,293.75</u>	<u>100.00</u>
Excess in Revenue	3,069,486.63		1,956,039.38	
Fund Balance January 1	<u>2,687,045.03</u>		<u>2,231,005.65</u>	
	5,756,531.66		4,187,045.03	
Less:				
Utilization as Anticipated Revenue	<u>1,630,000.00</u>		<u>1,500,000.00</u>	
Fund Balance December 31	<u>\$ 4,126,531.66</u>		<u>\$ 2,687,045.03</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE  
IN FUND BALANCE - SEWER UTILITY OPERATING FUND

Revenue and Other Income Realized	Year 2016		Year 2015	
	Amount	%	Amount	%
Fund Balance Utilized		0.00	\$ 70,947.00	2.81
Rents	\$ 2,751,435.63	96.98	2,416,136.74	95.86
Miscellaneous From Other Than Membership Fees	<u>85,786.41</u>	<u>3.02</u>	<u>33,354.87</u>	<u>1.32</u>
Total Income	<u>2,837,222.04</u>	<u>100.00</u>	<u>2,520,438.61</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	2,134,851.48	95.85	2,402,500.00	95.43
Debt Service	69,428.00	3.12	78,118.50	3.10
Deferred Charges and Statutory Expenditures	23,000.00	1.03	35,447.00	1.41
Other Expenditures	<u>                    </u>	<u>                    </u>	<u>1,627.00</u>	<u>0.06</u>
Total Expenditures	<u>2,227,279.48</u>	<u>100.00</u>	<u>2,517,692.50</u>	<u>100.00</u>
Excess in Revenue	609,942.56		2,746.11	
Fund Balance January 1	<u>10,676.57</u>		<u>78,877.46</u>	
	620,619.13		81,623.57	
Less:				
Utilization as Anticipated Revenue	<u>                    </u>		<u>70,947.00</u>	
Fund Balance December 31	<u>\$ 620,619.13</u>		<u>\$ 10,676.57</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate:</u>	<u>\$3.379</u>	<u>3.33</u>	<u>\$3.281</u>
<u>Apportionment of Tax Rate:</u>			
Municipal:	<u>1.016</u>	<u>1.01</u>	<u>0.982</u>
County:	<u>0.418</u>	<u>0.41</u>	<u>0.405</u>
Local School:	<u>1.945</u>	<u>1.91</u>	<u>1.894</u>
<u>Assessed Valuation:</u>			
2016	<u>\$1,164,199,512.00</u>		
2015		<u>1,165,315,238.00</u>	
2014			<u>\$1,170,269,047.00</u>

\*Per Abstract of Ratables, Somerset County, NJ

Note: Under the provisions of Chapter 73, L.1976, the County Board of Taxation estimated the amount of approved Veterans and Senior Citizens Tax Deductions for 2016 to be \$55,250.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Calendar Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 39,980,361.40	\$ 39,142,348.61	97.90%
2015	39,344,771.12	38,586,702.41	98.07%
2014	38,880,620.65	38,128,729.93	98.07%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Calendar Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	\$ 245,535.43	\$ 729,931.42	\$ 975,466.85	2.44%
2015	110,997.36	691,605.97	802,603.33	2.04%
2014	75,573.61	670,569.05	746,142.66	1.92%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Calendar Year</u>	<u>Amount</u>
2016	\$ 28,500.00
2015	28,500.00
2014	28,500.00

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Calendar Year</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2016	\$ 4,126,531.66	\$ 1,900,000.00
	2015	2,687,045.03	1,630,000.00
	2014	2,231,005.65	1,500,000.00
	2013	1,465,575.65	1,350,000.00
	2012	1,358,478.46	1,250,000.00
Sewer Utility Operating Fund	2016	\$ 620,619.13	None
	2015	10,676.57	None
	2014	78,877.46	\$ 70,947.00
	2013	97,682.00	97,000.00
	2012	96,391.02	96,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2016:

<u>NAME</u>		<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Brian G. Gallagher	-	Mayor	*
Steve Peter	-	President of Council	*
Jason Kraska	-	Councilperson	*
Jane Kobuta	-	Councilperson	*
Thompson Mitchell	-	Councilperson	*
Dennis Sullivan	-	Councilperson	*
Ken Utter	-	Councilperson	*
Kevin Sluka	-	Business Administrato, Borough Clerk, Election Officer	*
Paige Elster	-	Chief Financial Officer	*
Janet E. Kelk	-	Tax Collector/Sewer Utility Collector	*
Audrey Lipinski	-	Court Administrator	*
William T. Kelleher, Jr.	-	Magistrate	*
Jeremy Soloman, Esq.	-	Attorney	
Dave Meyers	-	Construction Code Official, Electrical Subcode Official, Plumbing Sub Code Official	
Frank Vuoso	-	Community Development Director, Code Official, Zoning Officer	
Keith Thedinga	-	Fire Official	
Matthew D. Loper	-	Borough Engineer	
Rodney Hadley	-	Public Works Manager	
Kathleen Gerndt	-	Recreation Director	
Brett Trout	-	Tax Assessor	
Dennis Manning	-	Police Chief	

\* All officials and employees handling and collecting Borough Funds are covered by Public Employees Blanket Bond of \$1,000,000.00 under the Joint Insurance Fund.

All of the bonds were examined and were properly executed.

**BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY**

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**PART VI**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF SOMERVILLE  
COUNTY OF SOMERSET, NEW JERSEY  
YEAR ENDED DECEMBER 31, 2016**

**GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Borough of Somerville, County of Somerset, New Jersey, for the calendar year ended December 31, 2016, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Somerville, County of Somerset, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Somerville, County of Somerset, New Jersey as of and for the transition year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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



## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd.)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 14, 2017 on the financial statements of the Borough of Somerville. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

#### Control Deficiencies:

##### 2016-1 General Ledger Maintenance

The Borough did not maintain General Ledgers for the Trust Assessment Fund, Builders Escrow Fund and Payroll and Payroll Agency Fund. Subsequent to the balance sheet date, the General Ledgers for these funds have commenced and therefore no recommendation is made.

##### 2016-2 Segregation of Duties

Conditions exist whereby the same person may collect, record and deposit cash receipts in the following offices – Tax, Finance, Health/Vital Statistics, Municipal Clerk, Construction, Planning/Zoning, Police, and Fire Prevention.

This condition is the result of the staffing levels and multi tasks performed by personnel within the respective offices.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd.)

#### OTHER MATTERS

##### Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3, of this act, shall be made or awarded only after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement."

On September 28, 2015, the Local Public Contracts Law was amended, effective on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent. The maximum bid threshold remains at \$17,500.00 for those municipalities that do not have a Qualified Purchasing Agent. As of December 31, 2016, the Borough has a Qualified Purchasing Agent.

A review of the Borough's purchasing procedures indicates bids were requested by public advertising for the following items tested, as disclosed in the official minutes:

##### Material, Supplies, Equipment, Service Rentals, Construction and Repairs:

Professional Services, Garbage Removal, Road improvements, Replacement of Sanitary Sewer Pipe, Swaploader Hook Lift, Green Seam Corridor Construction, Playground Improvements, Single Space Parking Meters

##### State Contracts:

2016 Medium Duty Truck

The minutes indicated the adoption of resolutions authorizing the purchase through state approved vendors as required by N.J.A.C. 5:34-1.2.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any 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.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd.)

#### Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4 (Cont'd.)

A test examination of expenditures revealed no individual payments, contracts or agreements in excess of \$17,500 or \$40,000 as applicable "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Any interpretations as to possible violation of N.J.S.A. 40A:11-4 and N.J.A.C. 5:30-14 would be in the province of the municipal solicitor.

#### Compliance with P.L. 2005, c.271

The threshold for Pay-to-Play is set at \$17,500, with no escalator provision. "Pay-to-Play" laws cover all contracts (not just professional services as some believe). Any contract (or aggregation of purchases of similar goods or services) that does not meet "fair and open" standards requires the Borough to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006.

A non-compliance would result with the issuance of purchase orders exceeding \$17,500 during the fiscal period without a "fair and open" process, and without obtaining the requisite disclosures. It is important to note that the laws and regulations implementing "Pay-to-Play" focus on vendors rather than categories of goods and services. While this change may appear subtle, it greatly expands the monitoring required to assure continuing compliance.

Tests of expenditures indicated the Borough had the required documentation for compliance with P.L. 2005, c.271 for items tested.

#### Collection of Interest on Delinquent Taxes and Assessments

N.J.S. 54:4-67, as amended, provides the method for authorizing interest and the maximum rate to be charged for the non- payment of taxes or assessments on or before the date when they would become delinquent.

The governing body, on January 1, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, R.S. 54:4-67 has been amended to permit the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent and may provide that no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same is payable;

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

Collection of Interest on Delinquent Taxes and Assessments (Cont'd.)

NOW, THEREFORE, BE IT RESOLVED that the Borough Council does hereby fix the rate of interest at eight percent (8%) per annum on the first One Thousand Five Hundred Dollars (\$1,500) and at eighteen percent (18%) per annum on any amount in excess of One thousand Five Hundred Dollars (\$1,500) from the date when any tax installment shall be payable and delinquent until the said installment together with interest is paid provided, however, that if any installments shall be paid within ten (10) days after the date payable, in that event there shall be no interest charged.

“In addition, pursuant to N.J.S.A. 54:4-67, there is hereby fixed as a penalty to be charged to a tax payer with a delinquency in excess of \$10,000 who fails to pay the delinquency prior to the end of the calendar year of 6 percent to the amount of delinquency”.

The audit of the Collector’s records on a test basis indicated that interest on all delinquent accounts was calculated in accordance with the foregoing resolution for items tested.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 19, 2016. There were no properties excluded from the sale. There are no properties payable on an installment basis.

The following comparison is made of the number of tax title liens receivable for the last three years:

<u>Year</u>	<u>Number of Liens</u>
CY 2016	8
CY 2015	7
CY 2014	7

Investments

The Borough has adopted a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that “each local unit shall adopt a cash management plan and shall deposit its fund pursuant to that plan”.

Interfund Balances

Interfund Balances appear in the balance sheets of the Borough’s financial statements of the year ended December 31, 2016.

These interfunds, in most cases, were from prior years and should be cleared by cash transfer where feasible.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd.)

#### Purchase Order and Encumbrance System

The Borough of Somerville utilizes a purchase order system for its expenditures in connection with its budgetary accounting system during the year under review. The accounting is processed on a data processing system for budgetary control. Transactions are approved based on availability of funds. Purchase orders were available for all cash disbursement transactions selected by us for testing. Tests of the system disclosed that compliance was in generally good order during the year. Tests of purchases orders and encumbrances indicated the Borough had the required documentation for items tested.

#### Payment of Claims

Payments of claims were examined on a test basis for the year under review. There were no exceptions noted for items tested.

#### Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2016. The minimum surety bond requirements for both the Tax Collector and Municipal Court were met for fiscal year 2016.

During July 1998 the Local Finance Board completed a readopting of the Board's general rules in the New Jersey Administrative Code. Based upon the new provisions of N.J.A.C. 5:30-8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds. The Borough's surety bond Coverage meets the new recommended amounts as it is covered under the Garden State Joint Insurance Fund.

#### Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account included review, on a test basis, that deposits were properly recorded and spread by receipt category and disbursements were made to the appropriate agencies on a timely basis.

The bank reconciliations for both the general and bail accounts were made available for review. The examination of the bail account's financial and supporting records maintained by the Municipal Court revealed no exceptions for items tested

The processing of traffic and criminal cases entered on the State's on-line computer system revealed no exceptions for items tested.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd.)

#### Condition of Records - Other Officials Collecting Fees

Our reviews of the records maintained for other officials collecting fees were designed to determine that minimum levels of internal controls and accountability were met, that cash receipts were deposited or turned over to the Treasurer's accounts within a 48 hour period as required by N.J.S.A. 40A:5-15, and that the fees charged were in accordance with the provisions of the Borough Code and that monthly financial reports are being submitted to the Finance Department timely. There were no exceptions with the items tested.

#### Condition of Records - Collector of Revenues

The records maintained by the Collector of Revenues were reviewed. Computerized cash receipt records were agreed to manual controls daily and in total monthly with no exceptions noted for items tested. No exceptions were noted for the testing of computerized real estate tax billings and billing adjustments for real estate taxes.

#### Condition of Records - Finance Office

The financial records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for each fund, and was found to be suitable to serve as the basis for financial statement preparation. Control accounts were generally in proof with supporting detail. See Control Deficiencies 2016-1 General Ledger Maintenance as it relates to the Trust Fund and General Capital Fund.

#### Administration and Accounting of State & Federal Grants

During CY 2016, the Borough operated programs that were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program.

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure compliance with the many requirements.

We noted that the Finance office made an effort to review prior years' grant receivable balances and unexpended grant reserve balances for proper disposition at December 31, 2016. It was noted that the Borough continues to carry unexpended balances of grant awards that are several years old. This condition may have resulted from the decentralized management of the various grant programs. In the current environment, it is possible that grant program coordinators may have reported expenditures that were not charged to grant program appropriations. We suggest that the Borough continue to monitor prior years' unexpended grant reserves and that proper disposition is made in compliance with the terms and conditions of the grant agreements.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd.)

#### Pension Plans - Defined Contribution Retirement System (DCRP)

During 2016, the Borough enrolled an employee in the DCRP system. However, the audit revealed that payments for the Borough or the employee were not made to the State of New Jersey. We recommend that all payments relating to DCRP be made in a timely manner.

#### Internal Control Documentation

Statement on Auditing Standards 115 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough initiate this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance along with providing for this documentation in conjunction with information relating to job descriptions and procedures manual.

The Local Finance Board, Department of Community Affairs, State of New Jersey, adopted the following requirements, previously identified as "technical accounting directives" as codified in the New Jersey Administrative Code, as follows:

#### Compliance with N.J.A.C. 5:30:

N.J.A.C. 5:30 – 5.2 - Encumbrance Accounting: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. The Borough of Somerville is in compliance with this directive.

N.J.A.C. 5:30 -5.6 - Fixed Asset Accounting: This directive requires the development and implementation of accounting systems which assigns values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough is in compliance with this directive.

N.J.A.C. 5:30 – 5.7 - General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the Current Fund. The Borough is in compliance with this directive.

#### Compliance with Local Finance Notices

In accordance with Local Finance Notice No. CFO-10, Uniform Construction Code, expenditure records were tested for compliance with N.J.A.C. 5:23.17(c)2, and no exceptions were noted for those items tested.

The Borough prepared and filed a corrective action plan for the year 2015, pursuant to Local Finance Notice No. 92-15 issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

RECOMMENDATIONS

We recommend the following:

That all payments relating to DCRP be made in a timely manner.

\* \* \* \* \*

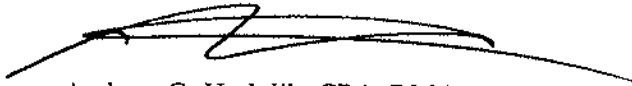
ACKNOWLEDGMENT

During the course of our audit we received the complete cooperation of the various officials of the Borough, and the courtesies extended to us were greatly appreciated.

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

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406