

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

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

***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  
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 years ended December 31, 2017 and 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, 2017 and the related notes to the financial statements, which collectively comprise the Borough of Somerville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017, 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, 2017 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, 2017, 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 21, 2018 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 21, 2018

**FINANCIAL STATEMENTS**

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

| ASSETS  | REF. | BALANCE          | BALANCE         | LIABILITIES, RESERVES<br>AND FUND BALANCE | REF.      | BALANCE          | BALANCE         |
|---|------|------------------|-----------------|---|-----------|------------------|-----------------|
|   |      | DEC. 31, 2017    | DEC. 31, 2016   |   |           | DEC. 31, 2017    | DEC. 31, 2016   |
| Cash and Investments - Treasurer                    | A-4  | \$ 9,595,288.59  | \$ 6,597,866.12 | Liabilities:                              | A-3, A-14 | \$ 1,154,988.46  | \$ 800,971.69   |
| Change Funds  | A-5  | 400.00           | 300.00          | Appropriation Reserves                    | A-3, A-14 | 781,586.81       | 548,187.90      |
|   |      | 9,595,688.59     | 6,598,166.12    | Reserve for Encumbrances                  | A-7       | 1,122,604.91     | 264,688.69      |
|   |      |                  |                 | Prepaid Property Taxes                    | A-15      | 20,567.14        | 20,765.55       |
| Receivables and Other Assets With                   |      |                  |                 | Tax Overpayments                          | A-8       | 6,027.07         | 5,659.26        |
| Full Reserves:                                      |      |                  |                 | Due to State of NJ SC/Vet Deductions      | A-12      | 5,000.00         |                 |
| Delinquent Prop. Taxes Receivable                   | A-7  | 522,736.85       | 729,931.42      | Due Downtown Somerville Alliance          | A-13      | 592,348.28       | 755,664.36      |
| Tax Title Liens Receivable                          | A-7  | 332,638.00       | 245,535.43      | Interfunds Payable                        | A-10      | 93,530.36        | 75,697.01       |
| Maintenance Liens Receivable                        | A-6  | 1,512.00         | 1,512.00        | Various Reserves                          |           | 3,776,653.03     | 2,471,634.46    |
| Property Acquired for Taxes (At Assessed Valuation) | A-9  | 28,500.00        | 28,500.00       |   |           |                  |                 |
| Revenue Accounts Receivable                         | A-11 | 20,550.82        | 70,311.09       |   |           |                  |                 |
| Interfunds Receivable                               | A-13 | 14,420.80        | 7,009.60        | Reserve for Receivables                   | Reserve   | 920,358.47       | 1,082,799.54    |
|   |      | 920,358.47       | 1,082,799.54    | Fund Balance                              | A-1       | 5,819,035.56     | 4,126,531.66    |
| Total Current Fund                                  |      | 10,516,047.06    | 7,680,965.66    | Total Current Fund                        |           | 10,516,047.06    | 7,680,965.66    |
| Grant Fund:   |      |                  |                 | Grant Fund:                               |           |                  |                 |
| State and Federal Grants Receivable                 | A-16 | 754,341.11       | 673,408.13      | Reserve for Encumbrances                  | A-18      | 75,857.12        | 129,933.32      |
| Interfunds Receivable                               | A-17 | 365,258.82       | 295,477.94      | Reserve for State and Federal Grants:     |           |                  |                 |
|   |      |                  |                 | Appropriated                              | A-18      | 1,009,877.27     | 833,651.39      |
|   |      |                  |                 | Unappropriated                            | A-19      | 33,865.54        | 5,301.36        |
| Total Grant Fund                                    |      | 1,119,599.93     | 968,886.07      | Total Grant Fund                          |           | 1,119,599.93     | 968,886.07      |
|   |      | \$ 11,635,646.99 | \$ 8,649,851.73 |   |           | \$ 11,635,646.99 | \$ 8,649,851.73 |

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, 2017 AND 2016

| <u>REVENUE AND OTHER INCOME REALIZED</u>          | <u>REF.</u> | <u>YEAR 2017</u>         | <u>YEAR 2016</u>         |
|---|-------------|--------------------------|--------------------------|
| Fund Balance Appropriated                         | A-1,A-2     | \$ 1,900,000.00          | \$ 1,630,000.00          |
| Miscellaneous Revenues Anticipated                | A-2         | 4,817,125.34             | 4,263,390.14             |
| Receipts from Delinquent Taxes                    | A-2         | 644,974.64               | 644,876.83               |
| Receipts from Current Taxes                       | A-2         | 40,762,545.05            | 39,142,348.61            |
| Non-Budget Revenue                                | A-2         | 512,563.64               | 212,789.36               |
| Other Credits to Income:                          |             |                          |                          |
| Interfunds Returned(Net)                          | A-13        |                          | 248,991.58               |
| Unexpended Balance of Approp. Reserves            | A-14        | 902,115.53               | 580,316.15               |
| Res. for State and Fed. Grants                    |             |                          |                          |
| Approp. Cancel. (Net)                             | A-13        | <u>4,330.12</u>          |                          |
| <br>Total Revenues                                |             | <br><u>49,543,654.32</u> | <br><u>46,722,712.67</u> |
| <br><u>EXPENDITURES AND OTHER CHARGES</u>         |             |                          |                          |
| Budget Appropriations:                            |             |                          |                          |
| Operating Within CAPS:                            |             |                          |                          |
| Operating   | A-3         | 11,853,160.00            | 11,572,146.36            |
| Def. Charges and Statutory Expend.                | A-3         | 1,316,016.00             | 1,314,541.20             |
| Operating Excluded from CAPS:                     |             |                          |                          |
| Operating   | A-3         | 651,266.01               | 162,426.83               |
| Capital Improvements                              | A-3         | 75,000.00                | 50,000.00                |
| Municipal Debt Service                            | A-3         | 3,033,079.62             | 2,539,921.38             |
| Local District School Tax                         | A-12        | 23,435,216.00            | 22,646,816.00            |
| County Tax  | A-12        | 4,972,064.56             | 4,847,111.26             |
| County Added Tax                                  | A-12        | 8,950.87                 | 17,193.96                |
| Downtown Somerville Alliance Tax                  | A-12        | 529,784.80               | 503,069.05               |
| Refund of Prior Years Revenues                    | A-4         | <u>76,612.56</u>         |                          |
| <br>Total Expenditures                            |             | <br><u>45,951,150.42</u> | <br><u>43,653,226.04</u> |
| <br>Excess (Deficit) in Revenue (Balance Forward) |             | <br>3,592,503.90         | <br>3,069,486.63         |
| <br><u>FUND BALANCE</u>                           |             |                          |                          |
| Balance - January 1                               | A           | <u>4,126,531.66</u>      | <u>2,687,045.03</u>      |
|   |             | 7,719,035.56             | 5,756,531.66             |
| Decreased by:                                     |             |                          |                          |
| Utilization as Anticipated Revenue                | A-1         | <u>1,900,000.00</u>      | <u>1,630,000.00</u>      |
| Balance - December 31                             | A           | <u>\$ 5,819,035.56</u>   | <u>\$ 4,126,531.66</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, 2017

|  |         | ANTICIPATED<br>2017<br>BUDGET | APPROP<br>N.J.S.A.<br>40A:4-87 | REALIZED                | EXCESS OR<br>(DEFICIT) |
|--|---------|-------------------------------|--------------------------------|-------------------------|------------------------|
| Surplus Anticipated  | A-1     | \$ 1,900,000.00               | \$                             | \$ 1,900,000.00         | \$                     |
| Total Surplus Anticipated  |         | <u>1,900,000.00</u>           |                                | <u>1,900,000.00</u>     |                        |
| Miscellaneous Revenues   |         |                               |                                |                         |                        |
| Licenses:  |         |                               |                                |                         |                        |
| Alcoholic Beverages  |         | 30,000.00                     |                                | 31,436.50               | 1,436.50               |
| Other  |         | 39,000.00                     |                                | 36,303.00               | (2,697.00)             |
| Fees and Permits   |         | 140,200.00                    |                                | 160,934.18              | 20,734.18              |
| Fines and Costs:   |         |                               |                                |                         |                        |
| Municipal Court  |         | 350,000.00                    |                                | 555,729.13              | 205,729.13             |
| Interest and Costs on Taxes  |         | 150,000.00                    |                                | 189,623.04              | 39,623.04              |
| Interest on Investments and Deposits   |         | 14,000.00                     |                                | 45,807.48               | 31,807.48              |
| Recreation Fees  |         | 5,000.00                      |                                | 11,296.76               | 6,296.76               |
| Recreation Programs  |         | 75,000.00                     |                                | 83,372.06               | 8,372.06               |
| Sale of Garbage Decals   |         | 20,000.00                     |                                | 22,403.00               | 2,403.00               |
| Rent of Office Facilities  |         | 4,200.00                      |                                | 4,090.00                | (110.00)               |
| 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<br>with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17): |         |                               |                                |                         |                        |
| Uniform Construction Code Fees   |         | 240,000.00                    |                                | 428,868.00              | 188,868.00             |
| Public and Private Revenues Offset with Approps.:  |         |                               |                                |                         |                        |
| Body Armor Replacement fund  |         | 3,066.36                      |                                | 3,066.36                | -                      |
| CDBG John Long Spray Ground Grant  |         | 63,295.00                     |                                | 63,295.00               | -                      |
| Clean Communities  |         |                               | 22,877.85                      | 22,877.85               | -                      |
| Hazardous Discharge Site Remediation   |         | 392,247.00                    |                                | 392,247.00              | -                      |
| Historic Preservation Grant  |         | 46,360.00                     |                                | 46,360.00               | -                      |
| Municipal Alcohol Ed. Rehab Grant  |         |                               | 3,217.00                       | 3,217.00                | -                      |
| Municipal Alliance Grant   |         | 11,029.36                     |                                | 11,029.36               | -                      |
| NJ Safe Corridors Grant  |         | 2,134.42                      | 743.51                         | 2,877.93                | -                      |
| Recycling Tonnage Grant  |         | 14,419.51                     |                                | 14,419.51               | -                      |
| Risk Control Grant 2017 - Panic Alarms   |         |                               | 3,376.00                       | 3,376.00                | -                      |
| Society of Fire Prevention Grant   |         | 500.00                        |                                | 500.00                  | -                      |
| Youth Service - Lunchtime Mentoring Program  |         |                               | 3,000.00                       | 3,000.00                | -                      |
| Youth Service - Various Programs   |         |                               | 5,000.00                       | 5,000.00                | -                      |
| Other Special Items:   |         |                               |                                |                         |                        |
| Uniform Fire Safety Act  |         | 50,000.00                     |                                | 105,440.54              | 55,440.54              |
| Sale of Municipal Assets   |         | 12,000.00                     |                                | 5,614.76                | (6,385.24)             |
| Cable TV Franchise Fees  |         | 152,500.00                    |                                | 152,545.22              | 45.22                  |
| Somerville Senior Citizen Housing Inc.   |         | 100,000.00                    |                                | 103,267.92              | 3,267.92               |
| Desapio Contribution   |         | 76,000.00                     |                                | 76,000.00               | -                      |
| Saker - P.L.L.O.T.   |         | 389,000.00                    |                                | 408,837.74              | 19,837.74              |
| ERG - Contribution Debt Service  |         | 375,000.00                    |                                | 375,000.00              | -                      |
| DSA Contribution   |         | 45,000.00                     |                                | 45,000.00               | -                      |
| Total Miscellaneous Revenues   | A-1     | <u>4,204,241.65</u>           | <u>38,214.36</u>               | <u>4,817,125.34</u>     | <u>574,669.33</u>      |
| Receipts from Delinquent Taxes   | A-1,A-2 | <u>675,000.00</u>             |                                | <u>644,974.64</u>       | <u>(30,025.36)</u>     |
| Subtotal General Revenues  |         | <u>4,879,241.65</u>           | <u>38,214.36</u>               | <u>5,462,099.98</u>     | <u>544,643.97</u>      |
| Amount to be Raised by Taxes for Support of Municipal Budget:  |         |                               |                                |                         |                        |
| Local Tax for Municipal purposes Including<br>Reserve for Uncollected Taxes  | A-2     | <u>12,376,236.00</u>          |                                | <u>14,009,528.82</u>    | <u>1,633,292.82</u>    |
| Total General Revenues   |         | <u>19,155,477.65</u>          | <u>38,214.36</u>               | <u>21,371,628.80</u>    | <u>\$ 2,177,936.79</u> |
| Non-Budget Revenues  | A-1     |                               |                                | <u>512,563.64</u>       |                        |
|  |         | <u>\$ 19,155,477.65</u>       | <u>\$ 38,214.36</u>            | <u>\$ 21,884,192.44</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, 2017

| <u>ANALYSIS OF REALIZED REVENUES</u>                             | <u>REF.</u> |                   |                         |
|--|-------------|-------------------|-------------------------|
| <u>Allocation of Current Tax Collections:</u>                    |             |                   |                         |
| 2017 Collections   | A-7         | \$ 40,445,474.17  |                         |
| Prepaid Taxes Applied  | A-7         | 264,688.69        |                         |
| State Share of Sr. Citizen's and<br>Veteran's Deductions Allowed | A-7         | <u>52,382.19</u>  |                         |
|  | A-1         |                   | \$ 40,762,545.05        |
| Allocated to:  |             |                   |                         |
| Local School Tax   | A-12        | 23,435,216.00     |                         |
| County Taxes   | A-12        | 4,972,064.56      |                         |
| Added County Taxes   | A-12        | 8,950.87          |                         |
| Special District Tax   | A-12        | <u>529,784.80</u> |                         |
|  |             |                   | <u>28,946,016.23</u>    |
|  |             |                   | 11,816,528.82           |
| Add: Reserve for Uncollected Taxes                               | A-3         |                   | <u>2,193,000.00</u>     |
| Amount for Support of Municipal Budget                           | A-2         |                   | <u>\$ 14,009,528.82</u> |
| <u>Allocation of Delinquent Tax Collections:</u>                 |             |                   |                         |
| Collections  | A-7         | \$ 613,412.14     |                         |
| Tax Title Liens  | A-7         | 19,847.32         |                         |
| Overpayment Applied  | A-7         | <u>11,715.18</u>  |                         |
|  | A-2         |                   | <u>\$ 644,974.64</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, 2017

|  | 2017<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |    | RESERVED     | UNEXPENDED<br>BALANCE<br>CANCELLED |
|--|----------------|------------------------------|--------------------|------------|----|--------------|------------------------------------|
|  |                |                              |                    | ENCUMBERED |    |              |                                    |
| Operations Within "CAPS"                   |                |                              |                    |            |    |              |                                    |
| <u>GENERAL GOVERNMENT:</u>                 |                |                              |                    |            |    |              |                                    |
| Administrative and Executive               |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | \$ 236,900.00  | \$ 236,900.00                | \$ 197,473.32      | \$         | \$ | \$ 39,426.68 | \$                                 |
| Other Expenses                             | 182,500.00     | 182,500.00                   | 100,258.82         | 2,058.08   |    | 80,183.10    |                                    |
| Borough Clerk                              |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 64,550.00      | 64,550.00                    | 58,754.00          |            |    | 5,816.00     |                                    |
| Elections                                  |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 4,000.00       | 4,000.00                     | 1,667.14           |            |    | 2,332.86     |                                    |
| Other Expenses                             | 4,000.00       | 4,000.00                     | 3,079.64           |            |    | 920.36       |                                    |
| Financial Administration                   |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 144,000.00     | 144,000.00                   | 133,659.76         |            |    | 10,340.24    |                                    |
| Other Expenses                             | 46,400.00      | 46,400.00                    | 18,062.65          | 126.00     |    | 28,211.35    |                                    |
| Audit                                      | 51,000.00      | 51,000.00                    |                    | 51,000.00  |    |              |                                    |
| Assessment of Taxes                        |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 26,100.00      | 26,100.00                    | 26,009.88          |            |    | 90.12        |                                    |
| Other Expenses                             | 4,350.00       | 4,350.00                     | 1,943.14           | 1,339.95   |    | 1,066.91     |                                    |
| Collection of Taxes                        |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 80,100.00      | 80,100.00                    | 69,533.52          |            |    | 10,566.48    |                                    |
| Other Expenses                             | 8,275.00       | 8,275.00                     | 6,990.26           | 170.00     |    | 1,114.74     |                                    |
| Legal Services and Costs                   |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 47,000.00      | 47,000.00                    | 45,588.92          |            |    | 1,411.08     |                                    |
| Other Expenses                             | 40,100.00      | 40,100.00                    | 17,649.14          |            |    | 22,450.86    |                                    |
| Municipal Prosecutor                       |                |                              |                    |            |    |              |                                    |
| Other Expenses                             | 20,000.00      | 20,000.00                    | 20,000.00          |            |    | -            |                                    |
| Engineering Services and Costs             |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 10,000.00      | 10,000.00                    |                    |            |    | 10,000.00    |                                    |
| Other Expenses                             | 18,350.00      | 18,350.00                    | 15,535.00          | 270.00     |    | 2,545.00     |                                    |
| Public Bldgs. and Grounds                  |                |                              |                    |            |    |              |                                    |
| Salaries and Wages                         | 147,000.00     | 142,000.00                   | 141,256.68         |            |    | 743.32       |                                    |
| Other Expenses                             | 107,500.00     | 119,500.00                   | 90,788.46          | 28,082.33  |    | 629.21       |                                    |
| Municipal Land Use Act (N.J.S.A. 40:55D-1) |                |                              |                    |            |    |              |                                    |
| Planning and Zoning                        |                |                              |                    |            |    |              |                                    |
| Other Expenses                             | 31,610.00      | 31,610.00                    | 8,122.88           | 784.00     |    | 22,703.12    |                                    |

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|   | 2017<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED    | RESERVED    | BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|-------------|-------------|----------------------|
|   | \$             | \$                           | \$                 | \$          | \$          | \$                   |
| Operations Within "CAPS" (Cont'd.)        |                |                              |                    |             |             |                      |
| <u>GENERAL GOVERNMENT:</u>                |                |                              |                    |             |             |                      |
| Department of Technology                  |                |                              |                    |             |             |                      |
| Other Expenses                            |                |                              |                    |             |             |                      |
| Zoning Board of Adjustment                |                |                              |                    |             |             |                      |
| Other Expenses                            | 5,600.00       | 5,600.00                     | 4,632.78           | 750.00      | 217.22      |                      |
| Insurance                                 |                |                              |                    |             |             |                      |
| Group Insurance                           | 1,224,000.00   | 1,224,000.00                 | 759,299.35         | 271,491.63  | 193,209.02  |                      |
| Other Insurance Premiums                  | 806,500.00     | 806,500.00                   | 805,353.72         |             | 1,146.28    |                      |
| Prescription Drug/Dental Program          | 70,500.00      | 70,500.00                    | 55,650.00          |             | 14,850.00   |                      |
|   | \$ 110,000.00  | \$ 110,000.00                | \$ 99,016.44       | \$ 4,927.91 | \$ 6,055.65 | \$                   |
| <u>PUBLIC SAFETY:</u>                     |                |                              |                    |             |             |                      |
| Fire                                      |                |                              |                    |             |             |                      |
| Salaries and Wages                        | 74,500.00      | 74,500.00                    | 70,332.90          | 86.81       | 4,080.29    |                      |
| Other Expenses                            | 163,000.00     | 163,000.00                   | 127,469.90         | 35,326.17   | 203.93      |                      |
| Uniform Fire Safety Act (PL 1983, Ch 383) |                |                              |                    |             |             |                      |
| Salaries and Wages                        | 100,000.00     | 100,450.00                   | 100,443.66         | 1,382.00    | 6.34        |                      |
| Other Expenses                            | 3,425.00       | 2,975.00                     | 1,549.27           |             | 43.73       |                      |
| Police                                    |                |                              |                    |             |             |                      |
| Salaries and Wages                        | 3,750,000.00   | 3,725,000.00                 | 3,480,051.05       | 5,274.98    | 239,673.97  |                      |
| Other Expenses                            | 217,200.00     | 217,200.00                   | 192,519.81         | 21,844.35   | 2,835.84    |                      |
| First Aid Organization - Contribution     | 70,000.00      | 70,000.00                    | 70,000.00          |             |             |                      |
| Emergency Management Services             |                |                              |                    |             |             |                      |
| Other Expenses                            | 22,000.00      | 22,000.00                    | 18,516.89          | 1,910.00    | 1,573.11    |                      |
| School Crossing Guard - Contractual       | 162,000.00     | 187,000.00                   | 159,590.99         | 27,409.01   | 0.00        |                      |
| <u>STREETS AND ROADS:</u>                 |                |                              |                    |             |             |                      |
| Road Repairs and Maintenance              |                |                              |                    |             |             |                      |
| Salaries and Wages                        | 590,000.00     | 545,000.00                   | 471,429.40         |             | 73,570.60   |                      |
| Other Expenses                            | 225,250.00     | 270,250.00                   | 159,488.72         | 25,570.62   | 85,190.66   |                      |
| Snow Removal                              |                |                              |                    |             |             |                      |
| Other Expenses                            | 26,000.00      | 26,000.00                    | 24,474.37          | 1,211.33    | 314.30      |                      |
| Sanitary Sewer System                     |                |                              |                    |             |             |                      |
| Other Expenses                            | 22,000.00      | 22,000.00                    | 7,820.00           |             | 14,180.00   |                      |
| Garbage and Trash Collection              |                |                              |                    |             |             |                      |
| Other Expenses                            | 744,000.00     | 744,000.00                   | 571,900.33         | 115,153.94  | 56,945.73   |                      |
| Recycling                                 |                |                              |                    |             |             |                      |
| Other Expenses                            | 110,000.00     | 110,000.00                   | 93,613.68          | 16,386.32   | 0.00        |                      |



BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|   | 2017<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |             | RESERVED | BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|------------|-------------|----------|----------------------|
|   |                |                              |                    | ENCUMBERED |             |          |                      |
| Operations Within "CAPS" (Cont'd.)                |                |                              |                    |            |             |          |                      |
| <u>HEALTH AND WELFARE:</u>                        |                |                              |                    |            |             |          |                      |
| Board of Health                                   |                |                              |                    |            |             |          |                      |
| Salaries and Wages                                | \$ 107,500.00  | \$ 107,500.00                | \$ 106,374.84      | \$         | \$ 1,125.16 | \$       |                      |
| Other Expenses                                    | 111,800.00     | 111,800.00                   | 100,628.00         | 9,148.00   | 2,024.00    |          |                      |
| Dog Regulations - Contractual                     |                |                              |                    |            |             |          |                      |
| Other Expenses                                    | 38,500.00      | 38,500.00                    | 26,625.00          | 8,875.00   | 3,000.00    |          |                      |
| <u>RECREATION AND EDUCATION:</u>                  |                |                              |                    |            |             |          |                      |
| Parks and Playgrounds                             |                |                              |                    |            |             |          |                      |
| Salaries and Wages                                | 25,000.00      | 18,000.00                    |                    |            | 18,000.00   |          |                      |
| Other Expenses                                    | 78,000.00      | 78,000.00                    | 66,591.20          | 1,930.34   | 9,478.46    |          |                      |
| Recreation  |                |                              |                    |            |             |          |                      |
| Salaries and Wages                                | 125,000.00     | 125,000.00                   | 100,771.96         | 64.97      | 24,163.07   |          |                      |
| Other Expenses                                    | 124,450.00     | 124,450.00                   | 110,578.05         | 50.00      | 13,821.95   |          |                      |
| Celebration of Public Events                      |                |                              |                    |            |             |          |                      |
| Other Expenses                                    | 2,000.00       | 2,000.00                     |                    |            | 2,000.00    |          |                      |
| Municipal Court                                   |                |                              |                    |            |             |          |                      |
| Salaries and Wages                                | 30,000.00      | 30,000.00                    | 28,787.98          |            | 1,212.02    |          |                      |
| Other Expenses                                    | 201,500.00     | 201,500.00                   | 198,159.48         |            | 3,340.52    |          |                      |
| <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                                | 181,000.00     | 181,000.00                   | 176,492.98         |            | 4,507.02    |          |                      |
| Other Expenses                                    | 34,700.00      | 34,700.00                    | 27,653.45          | 2,470.00   | 4,576.55    |          |                      |
| Electrical Inspector                              |                |                              |                    |            |             |          |                      |
| Salaries and Wages                                | 104,000.00     | 104,000.00                   | 103,519.78         |            | 480.22      |          |                      |
| Matching Funds for Grants                         | 35,000.00      | 35,000.00                    | 33,664.34          |            | 1,335.66    |          |                      |

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY  
STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|   | 2017<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED     |              | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|--------------|--------------|------------------------------------|
|   |                |                              |                    | ENCUMBERED   | RESERVED     |                                    |
| Operations Within "CAPS" (Contd.)   |                |                              |                    |              |              |                                    |
| UNCLASSIFIED:   |                |                              |                    |              |              |                                    |
| Street Lighting   | \$ 285,000.00  | \$ 285,000.00                | \$ 196,436.68      | \$ 54,095.05 | \$ 34,468.27 | \$ -                               |
| Fire Hydrant Fees   | 155,000.00     | 155,000.00                   | 135,299.98         | 12,187.50    | 7,512.52     | -                                  |
| Telephone   | 92,000.00      | 92,000.00                    | 73,887.94          | 4,902.48     | 13,209.58    | -                                  |
| Water   | 17,000.00      | 17,000.00                    | 14,343.92          | 21.00        | 2,635.08     | -                                  |
| Electricity   | 180,000.00     | 215,000.00                   | 146,102.33         | 62,239.60    | 6,658.07     | -                                  |
| Gasoline  | 105,000.00     | 70,000.00                    | 39,122.13          | 13,047.44    | 17,830.43    | -                                  |
| Accumulated Sick Leave  | 50,000.00      | 50,000.00                    | 50,000.00          | -            | -            | -                                  |
| Salaries and Wages  | 11,852,160.00  | 11,852,160.00                | 9,964,546.51       | 781,586.81   | 1,106,026.68 | -                                  |
| Total Operations Within "CAPS"  | 1,000.00       | 1,000.00                     | -                  | -            | 1,000.00     | -                                  |
| Contingent  |                |                              |                    |              |              |                                    |
| Total Operations Including Contingent Within "CAPS"                         | 11,853,160.00  | 11,853,160.00                | 9,964,546.51       | 781,586.81   | 1,107,026.68 | -                                  |
| DETAIL:   |                |                              |                    |              |              |                                    |
| Salaries and Wages  | 5,896,650.00   | 5,815,100.00                 | 5,362,127.77       | 5,426.76     | 447,545.47   | -                                  |
| Other Expenses  | 5,956,510.00   | 6,038,060.00                 | 4,602,418.74       | 776,160.05   | 659,481.21   | -                                  |
| Statutory Expenditures:   |                |                              |                    |              |              |                                    |
| Contribution to:  |                |                              |                    |              |              |                                    |
| Public Employees Retirement System  | 235,000.00     | 235,000.00                   | 234,780.90         | -            | 219.10       | -                                  |
| Social Security System (O.A.S.I.)   | 230,000.00     | 230,000.00                   | 184,191.21         | -            | 45,808.79    | -                                  |
| Police and Firemen's Retirement   | 841,016.00     | 841,016.00                   | 841,016.00         | -            | -            | -                                  |
| State Unemployment Insurance  | 10,000.00      | 10,000.00                    | 9,674.16           | -            | 325.84       | -                                  |
| Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | 1,316,016.00   | 1,316,016.00                 | 1,269,662.27       | -            | 46,353.73    | -                                  |
| Total General Approp. for Municipal Purposes Within "CAPS"                  | 13,169,176.00  | 13,169,176.00                | 11,234,208.78      | 781,586.81   | 1,153,380.41 | -                                  |

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|  | 2017<br>BUDGET | BUDGET AFTER<br>MODIFICATION | EXPENDED   |          | PAID OR<br>CHARGED | RESERVED    | UNEXPENDED<br>BALANCE<br>CANCELLED |
|--|----------------|------------------------------|------------|----------|--------------------|-------------|------------------------------------|
|  |                |                              | ENCUMBERED | RESERVED |                    |             |                                    |
| \$   | 30,000.00      | \$ 30,000.00                 | \$         | \$       | 28,391.95          | \$ 1,608.05 | \$                                 |
|  | 50,000.00      | 50,000.00                    |            |          | 50,000.00          |             |                                    |
| <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     | 11,029.36      | 11,029.36                    |            |          | 11,029.36          |             |                                    |
| Body Armor Grant                               | 3,066.36       | 3,066.36                     |            |          | 3,066.36           |             |                                    |
| Recycling Tonnage Grant                        | 14,419.51      | 14,419.51                    |            |          | 14,419.51          |             |                                    |
| Highway Safety Grant                           | 2,134.42       | 2,877.93                     |            |          | 2,877.93           |             |                                    |
| 2017 Hazardous Discharge Grant                 | 392,247.00     | 392,247.00                   |            |          | 392,247.00         |             |                                    |
| Historical Preservation Grant                  | 46,360.00      | 46,360.00                    |            |          | 46,360.00          |             |                                    |
| CDBG John Lepp Park                            | 63,295.00      | 63,295.00                    |            |          | 63,295.00          |             |                                    |
| Society of Fire Prevention                     | 500.00         | 500.00                       |            |          | 500.00             |             |                                    |
| Clean Communities                              |                | 22,877.85                    |            |          | 22,877.85          |             |                                    |
| Alcohol Ed Rehab Grant                         |                | 3,217.00                     |            |          | 3,217.00           |             |                                    |
| 2017 Risk Control Grant - Panic Alarms         |                | 3,376.00                     |            |          | 3,376.00           |             |                                    |
| Youth Service - Lunchtime Mentoring Prog       |                | 3,000.00                     |            |          | 3,000.00           |             |                                    |
| Youth Service - Various Programs               |                | 5,000.00                     |            |          | 5,000.00           |             |                                    |
| Total Operations - Excluded from "CAPS"        | 613,051.65     | 651,266.01                   |            |          | 649,657.96         | 1,608.05    |                                    |
| <u>DETAIL:</u>                                 |                |                              |            |          |                    |             |                                    |
| Salaries and Wages                             |                |                              |            |          |                    |             |                                    |
| Other Expenses                                 | 613,051.65     | 651,266.01                   |            |          | 649,657.96         | 1,608.05    |                                    |

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|  | 2017<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |          | UNEXPENDED<br>BALANCE<br>CANCELLED |
|--|----------------|------------------------------|--------------------|------------|----------|------------------------------------|
|  |                |                              |                    | ENCUMBERED | RESERVED |                                    |
| <u>Capital Improvements - Excluded from "CAPS"</u>   |                |                              |                    |            |          |                                    |
| Capital Improvement Fund                             | \$ 75,000.00   | \$ 75,000.00                 | \$ 75,000.00       | \$ -       | \$ -     | \$ -                               |
| Total Capital Improvements - Excluded from "CAPS"    | 75,000.00      | 75,000.00                    | 75,000.00          | -          | -        | -                                  |
| <u>Municipal Debt Service - Excluded from "CAPS"</u> |                |                              |                    |            |          |                                    |
| Payment of Bond Principal                            | 2,210,000.00   | 2,210,000.00                 | 2,210,000.00       | -          | -        | 27,807.87                          |
| Interest on Bonds                                    | 550,750.00     | 550,750.00                   | 522,942.13         | -          | -        | -                                  |
| Somerset County Improvement Authority:               |                |                              |                    |            |          |                                    |
| Capital Lease Program:                               |                |                              |                    |            |          |                                    |
| Capital Lease Program Principal                      | 290,500.00     | 290,500.00                   | 246,137.49         | -          | -        | 44,362.51                          |
| Capital Lease Program Interest                       | 54,000.00      | 54,000.00                    | 54,000.00          | -          | -        | -                                  |
| Total Municipal Debt Service - Excluded from "CAPS"  | 3,105,250.00   | 3,105,250.00                 | 3,033,079.62       | -          | -        | 72,170.38                          |

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|   | 2017<br>BUDGET   | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED      |                 | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|------------------|------------------------------|--------------------|---------------|-----------------|------------------------------------|
|   |                  |                              |                    | ENCUMBERED    | RESERVED        |                                    |
| Total General Appropriations for Municipal<br>Purposes Excluded from "CAPS" | 3,793,301.65     | 3,831,516.01                 | 3,757,737.58       | -             | 1,608.05        | 72,170.38                          |
| Subtotal General Appropriations   | 16,962,477.65    | 17,000,692.01                | 14,991,946.36      | 781,586.81    | 1,154,988.46    | 72,170.38                          |
| Reserve for Uncollected Taxes   | 2,193,000.00     | 2,193,000.00                 | 2,193,000.00       | -             | -               | -                                  |
| Total General Appropriations  | \$ 19,155,477.65 | \$ 19,193,692.01             | \$ 17,184,946.36   | \$ 781,586.81 | \$ 1,154,988.46 | \$ 72,170.38                       |
|   |                  |                              |                    | A, A-1        | A, A-1          |                                    |
| Adopted Budget  |                  | \$ 19,155,477.65             |                    |               |                 |                                    |
| Added by N.J.S.A. 40A:4-87  |                  | 38,214.36                    |                    |               |                 |                                    |
|   |                  | \$ 19,193,692.01             |                    |               |                 |                                    |
| Disbursed   |                  | \$ 14,387,016.01             |                    |               |                 |                                    |
| Reserve for Uncollected Taxes   |                  | 2,193,000.00                 |                    |               |                 |                                    |
| Public & Private Programs Approp.   |                  | 604,930.35                   |                    |               |                 |                                    |
|   |                  | \$ 17,184,946.36             |                    |               |                 |                                    |

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, 2017 AND 2016

| ASSETS                    | REF. | BALANCE:<br>DEC. 31, 2017 | BALANCE:<br>DEC. 31, 2016 | LIABILITIES, RESERVES<br>AND FUND BALANCE          | REF. | BALANCE:<br>DEC. 31, 2017 | BALANCE:<br>DEC. 31, 2016 |
|---------------------------|------|---------------------------|---------------------------|--|------|---------------------------|---------------------------|
| Assessment Trust Fund:    |      |                           |                           |  |      |                           |                           |
| Cash                      | B-2  | \$ 10,467.52              | \$ 4,907.84               | Due to General Capital Fund                        | B-2  | \$ 4,907.84               | \$ 153,868.80             |
| Assessments Receivable    | B-2  | 4,907.84                  | 164,336.32                | Reserve for Assessments and Liens<br>Fund Balance  | B-2  | 4,907.84                  | 4,907.84                  |
| Due from Current Fund     | B-2  |                           |                           |  | B-1  | 10,467.52                 | 10,467.52                 |
|                           |      | <u>15,375.36</u>          | <u>169,244.16</u>         |  |      | <u>15,375.36</u>          | <u>169,244.16</u>         |
| Animal Control Fund:      |      |                           |                           |  |      |                           |                           |
| Cash - Treasurer          | B-2  | 26,349.00                 | 18,813.60                 | Animal Control Fund:                               |      |                           |                           |
|                           |      | <u>26,349.00</u>          | <u>18,813.60</u>          | Due to State of NJ                                 | B-2  | 10.80                     | 10.80                     |
|                           |      |                           |                           | Due to Current Fund                                | B-2  | 14,420.80                 | 7,009.60                  |
|                           |      |                           |                           | Reserve to Pay Animal Control<br>Fund Expenditures | B-2  | 11,917.40                 | 11,793.20                 |
| Total Animal Control Fund |      | <u>26,349.00</u>          | <u>18,813.60</u>          | Total Animal Control Fund                          |      | <u>26,349.00</u>          | <u>18,813.60</u>          |
| Trust-Other Fund:         |      |                           |                           | Trust-Other Fund:                                  |      |                           |                           |
| Cash - Treasurer          | B-2  | 3,592,435.09              | 2,889,100.71              | Interfunds Payable                                 | B-2  | 39,533.60                 | 40,784.47                 |
| Interfunds Receivable     | B-2  | 229,510.42                | 541,470.10                | Reserve for Incumbrances                           | B-2  | 4,079.50                  | 12,554.31                 |
| Accounts Receivable       | B-2  | 8,261.00                  | 8,327.00                  | Reserve for:                                       |      |                           |                           |
| CDBG Receivable           | B-2  | 44,385.89                 | 44,385.89                 | Miscellaneous Deposits                             | B-2  | 1,838,956.34              | 1,780,063.72              |
|                           |      |                           |                           | CDBG Expenditures                                  | B-2  | 44,385.89                 | 44,385.89                 |
|                           |      |                           |                           | District Management Corporation                    | B-2  | 366,841.69                | 312,866.08                |
|                           |      |                           |                           | Unemployment Insurance Fund                        | B-2  | 51,806.27                 | 42,213.25                 |
|                           |      |                           |                           | Sanitary Landfill Closure                          | B-2  | 10,393.37                 | 10,369.73                 |
|                           |      |                           |                           | Builders Escrow                                    | B-2  | 92,440.93                 | 69,680.47                 |
|                           |      |                           |                           | Tax Redemption Trust                               | B-2  | 1,125,000.00              | 729,500.00                |
|                           |      |                           |                           | Recreation Commission                              | B-2  | 68,494.68                 | 74,878.52                 |
|                           |      |                           |                           | Housing Assistance Program                         | B-2  | 4,891.79                  | 54,195.22                 |
|                           |      |                           |                           | Housing Assistance Program-Portables               | B-2  | 30,278.19                 | 24,033.06                 |
|                           |      |                           |                           | Law Enforcement Trust Fund                         | B-2  | 39,391.79                 | 30,244.25                 |
|                           |      |                           |                           | Payroll Agency                                     | B-2  | 153,633.39                | 256,101.96                |
|                           |      |                           |                           | Credit Card Fee Accounts                           | B-2  | 4,464.97                  | 1,412.77                  |
| Total Trust-Other Fund    |      | <u>3,874,592.40</u>       | <u>3,483,283.70</u>       | Total Trust-Other Fund                             |      | <u>3,874,592.40</u>       | <u>3,483,283.70</u>       |

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

TRUST FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| <u>ASSETS</u>                | <u>REF.</u> | <u>BALANCE<br/>DEC. 31, 2017</u> | <u>BALANCE<br/>DEC. 31, 2016</u> | <u>LIABILITIES, RESERVES<br/>AND FUND BALANCE</u> | <u>REF.</u> | <u>BALANCE<br/>DEC. 31, 2017</u> | <u>BALANCE<br/>DEC. 31, 2016</u> |
|------------------------------|-------------|----------------------------------|----------------------------------|---|-------------|----------------------------------|----------------------------------|
| LOSAP Fund (Unaudited):      |             |                                  |                                  |   |             |                                  |                                  |
| Cash and Investments Trustee |             | <u>512,071.09</u>                | <u>427,892.97</u>                | LOSAP Fund (Unaudited):                           |             | <u>512,071.09</u>                | <u>427,892.97</u>                |
|                              |             |                                  |                                  | Res. For LOSAP Funds Held By Trustee              |             |                                  |                                  |
| Total LOSAP Fund             |             | <u>512,071.09</u>                | <u>427,892.97</u>                | Total LOSAP Fund                                  |             | <u>512,071.09</u>                | <u>427,892.97</u>                |
|                              |             | <u>\$ 4,428,387.85</u>           | <u>\$ 4,099,234.43</u>           |   |             | <u>\$ 4,428,387.85</u>           | <u>\$ 4,099,234.43</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, 2017

|                             | <u>REF.</u> |                     |
|-----------------------------|-------------|---------------------|
| Balance - December 31, 2016 | B           | \$ 10,467.26        |
| Balance - December 31, 2017 | 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, 2017 AND 2016

| <u>ASSETS</u>                                     | <u>REF.</u> | BALANCE<br>DEC. 31,<br><u>2017</u> | BALANCE<br>DEC. 31,<br><u>2016</u> |
|---|-------------|------------------------------------|------------------------------------|
| Cash  | C- 2        | \$ 844,824.68                      | \$ 540,940.57                      |
| Due from Various Grantor Agencies                 | C- 7        | 8,230,288.89                       | 15,146,511.57                      |
| Interfunds Receivable                             | C-11        | -                                  | 211,920.63                         |
| Due from Somerset County Improvement Authority    | C-12        | 3,303.34                           | 3,303.34                           |
| Deferred Charges to Future Taxation:              |             |                                    |                                    |
| Funded  | C- 5        | 20,929,221.60                      | 24,254,169.39                      |
| Unfunded  | C- 6        | <u>2,628,293.83</u>                | <u>1,493,826.83</u>                |
|   |             | <u>\$ 32,635,932.34</u>            | <u>\$ 41,650,672.33</u>            |
| <br>  |             |                                    |                                    |
| <u>LIABILITIES, RESERVES<br/>AND FUND BALANCE</u> |             |                                    |                                    |
| General Serial Bonds Payable                      | C-10        | \$ 15,775,000.00                   | \$ 17,985,000.00                   |
| SCIA Leases Payable                               | C-15        | 1,210,997.60                       | 2,325,945.39                       |
| NJEIT Loan Payable                                | C-16        | 3,943,224.00                       | 3,943,224.00                       |
| Bond Anticipation Notes                           | C- 9        | 1,000,000.00                       | -                                  |
| Interfunds Payable                                | C-11        | -                                  | 300,000.00                         |
| Improvement Authorizations:                       |             |                                    |                                    |
| Funded  | C-8         | 7,738,588.82                       | 14,228,031.30                      |
| Unfunded  | C-8         | 1,148,681.34                       | 1,108,517.47                       |
| Reserve for Payment of Future Debt Service ERG    | C-13        | 705,129.40                         | 568,150.67                         |
| Reserve for Payment of Future Debt Service        | C-14        | 503,264.48                         | 29,890.00                          |
| Reserve for Encumbrances Payable                  | C-8         | 353,551.80                         | 914,678.60                         |
| Capital Improvement Fund                          | C- 4        | 23,981.83                          | 17,031.83                          |
| Fund Balance                                      | C- 1        | <u>233,513.07</u>                  | <u>230,203.07</u>                  |
|   |             | <u>\$ 32,635,932.34</u>            | <u>\$ 41,650,672.33</u>            |
| <br>  |             |                                    |                                    |
| Bonds and Notes Authorized but not Issued         | C-17        | <u>\$ 1,628,293.83</u>             | <u>\$ 1,493,826.83</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, 2017

|                             | <u>REF.</u> |                      |
|-----------------------------|-------------|----------------------|
| Balance - December 31, 2016 | C           | \$ 230,203.07        |
| Increased by:               |             |                      |
| Premium on BAN Sale         | C-2         | <u>3,310.00</u>      |
| Balance - December 31, 2017 | C           | <u>\$ 233,513.07</u> |

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

| ASSETS                                     | BALANCE<br>DEC. 31, 2017 | BALANCE<br>DEC. 31, 2016 | LIABILITIES, RESERVES<br>AND FUND BALANCE | REF.      | BALANCE<br>DEC. 31, 2017 | BALANCE<br>DEC. 31, 2016 |
|--|--------------------------|--------------------------|---|-----------|--------------------------|--------------------------|
| Operating Fund:                            |                          |                          |   |           |                          |                          |
| Cash and Investments - Treasurer           | \$ 851,599.17            | \$ 192,409.61            |   |           | \$ 337,173.40            | \$ 35,431.33             |
| Change Fund                                | 50.00                    | 50.00                    | Appropriation Reserves                    | D-4, D-12 | 13,583.00                | 7,350.88                 |
| Interfunds Receivable                      | 461,601.32               | 511,007.52               | Reserve for Encumbrances                  | D-4, D-12 | 5,906.83                 | 35,413.03                |
|  | 1,313,250.49             | 703,467.13               | Rent Overpayments                         | D-9       | 6,619.27                 | 3,462.76                 |
|  |                          |                          | Prepaid Sewer Charges                     | D-10      | -                        | 1,190.00                 |
|  |                          |                          | Accrued Interest on Bonds & Notes         | D-17      | -                        | -                        |
| Receivables With Full Reserves:            |                          |                          |   |           |                          |                          |
| Consumer Accounts Receivable               | 342,932.56               | 282,303.08               | Reserve for Receivables                   | Reserve   | 363,282.50               | 82,848.00                |
| Sewer Utility Liens                        | 240.00                   | 240.00                   | Fund Balance                              | D-1       | 343,172.56               | 282,543.08               |
|  | 343,172.56               | 282,543.08               |   |           | 949,967.99               | 620,619.13               |
| Total Operating Fund                       | 1,656,423.05             | 986,010.21               |   |           | 1,656,423.05             | 986,010.21               |
| Capital Fund:                              |                          |                          |   |           |                          |                          |
| Fixed Capital                              | 3,253,953.09             | 3,253,953.09             | Improvement Authorizations                |           | 149,488.70               | 82.50                    |
| Fixed Capital - Authorized and Uncompleted | 297,384.74               | 47,384.74                | Funded                                    | D-17      | 147,302.24               | 47,302.24                |
|  |                          |                          | Unfunded                                  | D-18      | 34,000.00                | 134,000.00               |
|  | 297,384.74               | 47,384.74                | Capital Improvement Fund                  | D-19      | 732.00                   | 732.00                   |
|  |                          |                          | Down Payment on Improvements              | D-20      | 450,022.28               | 499,428.48               |
|  |                          |                          | Due to Sewer Operating Fund               | D-21      | 2,580,727.78             | 2,580,727.78             |
|  |                          |                          | Reserve for Amortization                  | D-22      | 188,082.50               | 38,082.50                |
|  |                          |                          | Deferred Reserve for Amortization         | D-2       | 982.33                   | 982.33                   |
|  |                          |                          | Fund Balance                              |           | -                        | -                        |
| Total Capital Fund                         | 3,551,337.83             | 3,301,337.83             | Total Capital Fund                        |           | 3,551,337.83             | 3,301,337.83             |
|  | \$ 5,207,760.88          | \$ 4,287,348.04          |   |           | \$ 5,207,760.88          | \$ 4,287,348.04          |

Bonds and Notes Authorized but not issued at December 31, 2017 and 2016 were \$782,527.55 and \$682,527.55, respectively. (Exhibit D-23)

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, 2017 AND 2016

| <u>REVENUE AND OTHER INCOME REALIZED</u>    | <u>REF.</u> | <u>YEAR 2017</u>            | <u>YEAR 2016</u>            |
|---|-------------|-----------------------------|-----------------------------|
| Sewer Rents                                 | D-3         | \$ 2,635,234.71             | \$ 2,751,435.63             |
| Miscellaneous                               | D-3         | 140,970.71                  | 61,705.57                   |
| Canellation of Accrued Interest Payable     | D-16        | 1,190.00                    |                             |
| Unexpended Balance of Approp. Reserves      | D-12        | <u>29,253.44</u>            | <u>24,080.84</u>            |
| Total Revenues                              |             | <u>2,806,648.86</u>         | <u>2,837,222.04</u>         |
| <br><u>EXPENDITURES</u>                     |             |                             |                             |
| Budget Appropriations:                      |             |                             |                             |
| Operating:                                  |             |                             |                             |
| Salaries and Wages                          | D-4         | 225,000.00                  | 194,000.00                  |
| Other Expenses                              | D-4         | 2,179,100.00                | 1,940,851.48                |
| Capital Improvements                        | D-4         | 50,000.00                   |                             |
| Debt Service                                | D-4         |                             | 69,428.00                   |
| Statutory Expenditures and Deferred Charges | D-4         | 23,200.00                   | 23,000.00                   |
| Refunds of Prior Year Revenues              |             |                             |                             |
| Total Expenditures                          |             | <u>2,477,300.00</u>         | <u>2,227,279.48</u>         |
| Excess in Revenues                          |             | 329,348.86                  | 609,942.56                  |
| <br><u>FUND BALANCE</u>                     |             |                             |                             |
| Balance - January 1                         | D           | <u>620,619.13</u>           | <u>10,676.57</u>            |
|   |             | 949,967.99                  | 620,619.13                  |
| Decreased by:                               |             |                             |                             |
| Utilization as Anticipated Revenue          | D- 1        | <u>                    </u> | <u>                    </u> |
| Balance - December 31                       | D           | <u>\$ 949,967.99</u>        | <u>\$ 620,619.13</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, 2017

|                             | <u>REF.</u> |                  |
|-----------------------------|-------------|------------------|
| Balance - December 31, 2016 | D           | \$ 982.33        |
| Balance - December 31, 2017 | 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, 2017

|                                     | <u>REF.</u> | 2017<br><u>BUDGET</u>  | <u>REALIZED</u>        | EXCESS OR<br><u>(DEFICIT)</u> |
|-------------------------------------|-------------|------------------------|------------------------|-------------------------------|
| Sewer Use Charges                   | D-1         | \$ 2,462,000.00        | \$ 2,635,234.71        | \$ 173,234.71                 |
| Miscellaneous                       | D-1         | <u>15,300.00</u>       | <u>140,970.71</u>      | <u>125,670.71</u>             |
|                                     |             | <u>\$ 2,477,300.00</u> | <u>\$ 2,776,205.42</u> | <u>\$ 298,905.42</u>          |
|                                     | <u>Ref.</u> | D-4                    |                        |                               |
| Analysis of Realized Revenues:      |             |                        |                        |                               |
| Analysis of Sewer Use Charges:      |             |                        |                        |                               |
| Sewer Use Collections               | D-8         |                        | \$ 2,598,209.22        |                               |
| Overpayments Applied                | D-8         |                        | 33,562.73              |                               |
| Prepays Applied                     | D-8         |                        | <u>3,462.76</u>        |                               |
|                                     |             |                        | <u>\$ 2,635,234.71</u> |                               |
| Analysis of Miscellaneous Revenues: |             |                        |                        |                               |
| Connection Fees                     |             |                        | \$ 105,000.00          |                               |
| Interest on Delinquent Taxes        |             |                        | 33,046.05              |                               |
| Interest on Investments             |             |                        | <u>2,924.66</u>        |                               |
|                                     | D-5         |                        | <u>\$ 140,970.71</u>   |                               |

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, 2017

|                                     | 2017<br>BUDGET  | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED     |               | UNEXPENDED<br>BALANCE<br>CANCELLED |
|-------------------------------------|-----------------|------------------------------|--------------------|--------------|---------------|------------------------------------|
|                                     |                 |                              |                    | ENCUMBERED   | RESERVED      |                                    |
| Operating:                          |                 |                              |                    |              |               |                                    |
| Salaries and Wages                  | \$ 225,000.00   | \$ 225,000.00                | \$ 167,931.98      | \$ 13,583.00 | \$ 57,068.02  | \$ -                               |
| Other Expenses                      | 269,100.00      | 269,100.00                   | 195,127.78         |              | 60,389.22     |                                    |
| Share of Costs                      | 1,900,000.00    | 1,900,000.00                 | 1,680,283.84       |              | 219,716.16    |                                    |
| Reserve for Retirement              | 10,000.00       | 10,000.00                    | 10,000.00          |              |               |                                    |
| Capital Improvements:               |                 |                              |                    |              |               |                                    |
| Capital Improvement Fund            | 50,000.00       | 50,000.00                    | 50,000.00          |              |               |                                    |
| 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.)   | 17,200.00       | 17,200.00                    | 17,200.00          |              |               |                                    |
| Total Sewer Utility Appropriations  | \$ 2,477,300.00 | \$ 2,477,300.00              | \$ 2,126,543.60    | \$ 13,583.00 | \$ 337,173.40 | \$ -                               |
| Disbursed                           |                 |                              | \$ 2,126,543.60    |              |               |                                    |
|                                     |                 |                              | \$ 2,126,543.60    |              |               |                                    |

Ref. D-3 D-1 D,D-1 D, D-1 D-1

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY FUND  
 BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2017

| <u>ASSETS</u>                    | <u>REF.</u> | <u>BALANCE<br/>DEC. 31, 2017</u> | <u>LIABILITIES, RESERVES<br/>AND FUND BALANCE</u> | <u>REF.</u> | <u>BALANCE<br/>DEC. 31, 2017</u> |
|----------------------------------|-------------|----------------------------------|---|-------------|----------------------------------|
| Operating Fund:                  |             |                                  |   |             |                                  |
| Cash and Investments - Treasurer | E-4         | \$ <u>452,949.37</u>             |   |             |                                  |
|                                  |             | <u>452,949.37</u>                |   |             |                                  |
|                                  |             |                                  | Operating Fund:                                   |             |                                  |
|                                  |             |                                  | Liabilities:                                      |             |                                  |
|                                  |             |                                  | Appropriation Reserves                            | E-3         | \$ 210,243.86                    |
|                                  |             |                                  | Reserve for Encumbrances                          | E-3         | <u>32,926.78</u>                 |
|                                  |             |                                  | Fund Balance                                      | E-1         | <u>243,170.64</u>                |
|                                  |             |                                  | Total Operating Fund                              |             | <u>\$ <u>452,949.37</u></u>      |
| Total Operating Fund             |             | <u>\$ <u>452,949.37</u></u>      |   |             |                                  |

Note: See Notes to Financial Statements



BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND  
 STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

| <u>REVENUE AND OTHER INCOME REALIZED</u>    | <u>REF.</u> | <u>YEAR 2017</u>         |
|---|-------------|--------------------------|
| Parking Meters                              | E-2         | \$ 688,235.33            |
| Parking Permits                             | E-2         | 29,045.25                |
| Parking Deck Fees                           | E-2         | 12,800.00                |
| Miscellaneous                               | E-2         | <u>1,198.15</u>          |
| <br>Total Revenues                          |             | <br><u>731,278.73</u>    |
| <br><u>EXPENDITURES</u>                     |             |                          |
| Budget Appropriations:                      |             |                          |
| Operating:                                  |             |                          |
| Salaries and Wages                          | E-3         | 130,000.00               |
| Other Expenses                              | E-3         | 364,500.00               |
| Statutory Expenditures and Deferred Charges | E-3         | <u>27,000.00</u>         |
| <br>Total Expenditures                      |             | <br><u>521,500.00</u>    |
| <br>Excess in Revenues                      |             | <br>209,778.73           |
| <br><u>FUND BALANCE</u>                     |             |                          |
| Balance - January 1                         | E           | <u>-</u>                 |
| <br>Balance - December 31                   | E           | <br>\$ <u>209,778.73</u> |

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND  
 STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|                   | <u>REF.</u> | 2017<br><u>BUDGET</u>       | <u>REALIZED</u>      | EXCESS OR<br><u>(DEFICIT)</u> |
|-------------------|-------------|-----------------------------|----------------------|-------------------------------|
| Parking Meters    | E-1,E-4     | \$ 500,000.00               | \$ 688,235.33        | \$ 188,235.33                 |
| Parking Permits   | E-1,E-4     | 1,500.00                    | 29,045.25            | 27,545.25                     |
| Parking Deck Fees | E-1,E-4     | 20,000.00                   | 12,800.00            | (7,200.00)                    |
| Miscellaneous     | E-1,E-4     | <u>                    </u> | <u>1,198.15</u>      | <u>1,198.15</u>               |
|                   |             | <u>\$ 521,500.00</u>        | <u>\$ 731,278.73</u> | <u>\$ 209,778.73</u>          |

Ref.                      E-3

Analysis of Realized Revenues:

Analysis of Parking Meters:

Parking Meters - Parking Utility

E-4                      \$ 688,235.33

\$ 688,235.33

Analysis of Miscellaneous Revenues:

Interest on Investments

\$ 1,198.15

\$ 1,198.15

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND  
 STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|                                      | 2017          | BUDGET AFTER  | PAID OR       | EXPENDED     |               | RESERVED | ENCUMBERED | ENCUMBERED | UNEXPENDED |
|--------------------------------------|---------------|---------------|---------------|--------------|---------------|----------|------------|------------|------------|
|                                      | BUDGET        | MODIFICATION  | CHARGED       | ENCUMBERED   | ENCUMBERED    | RESERVED | ENCUMBERED | ENCUMBERED | BALANCE    |
|                                      |               |               |               |              |               |          |            |            | CANCELLED  |
| Operating:                           |               |               |               |              |               |          |            |            |            |
| Salaries and Wages                   | \$ 130,000.00 | \$ 130,000.00 | \$ 87,918.14  | \$           | \$ 42,081.86  | \$       |            |            |            |
| Other Expenses                       | 364,500.00    | 364,500.00    | 163,411.22    | 32,926.78    | 168,162.00    |          |            |            |            |
| Statutory Expenditures:              |               |               |               |              |               |          |            |            |            |
| Contribution to:                     |               |               |               |              |               |          |            |            |            |
| Public Employee's Retirement System  | 12,000.00     | 12,000.00     | 12,000.00     |              |               |          |            |            |            |
| Social Security System (O.A.S.I.)    | 15,000.00     | 15,000.00     | 15,000.00     |              |               |          |            |            |            |
| Total Parking Utility Appropriations | \$ 521,500.00 | \$ 521,500.00 | \$ 278,329.36 | \$ 32,926.78 | \$ 210,243.86 | \$       |            |            | -          |

Ref

E-2

E-1, E-4

E, E-1

E, E-1

E-1

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
PUBLIC ASSISTANCE TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

|  | <u>REF.</u> | <u>Dec. 31, 2017</u> | <u>Dec. 31, 2016</u> |
|--|-------------|----------------------|----------------------|
| <u>ASSETS:</u>   |             |                      |                      |
| Due to/from Trust Other Fund - PATF 1                            | E-1         | <u>\$ 25,533.60</u>  | <u>\$ 25,533.60</u>  |
| <br><u>LIABILITIES AND RESERVES:</u>                             |             |                      |                      |
| Reserve for Public Assistance:<br>Public Assistance Trust Fund 1 | 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, 2017 AND 2016

|   | <u>BALANCE</u><br><u>DEC. 31, 2017</u> | <u>BALANCE</u><br><u>DEC. 31, 2016</u> |
|---|--|--|
| Governmental Fixed Assets:              |  |  |
| Land                                    | \$ 10,571,500.00                       | \$ 12,521,500.00                       |
| Buildings/Improvements                  | 10,498,600.00                          | 10,598,600.00                          |
| Equipment                               | <u>7,495,207.00</u>                    | <u>7,213,229.00</u>                    |
| Total Governmental Fixed Assets         | <u>\$ 28,565,307.00</u>                | <u>\$ 30,333,329.00</u>                |
| Investment in Governmental Fixed Assets | <u>\$ 28,565,307.00</u>                | <u>\$ 30,333,329.00</u>                |

Nots: See Notes to Financial Statements

BOROUGH OF SOMERVILLE  
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.)

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

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.

## NOTES TO FINANCIAL STATEMENTS

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

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

Expenditures (Cont'd.) - Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. 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.



## NOTES TO FINANCIAL STATEMENTS

### 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. 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.

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB issued Statement No. 85, "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

## NOTES TO FINANCIAL STATEMENTS

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

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

##### Recent Accounting Standards (cont'd.)

GASB issued Statement No. 87, "Leases" in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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 2016 financial statements to conform with classifications used in fiscal year 2017.

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>2017</u>             | <u>2016</u>             |
|--|-------------------------|-------------------------|
| <u>Issued:</u>   |                         |                         |
| General:   |                         |                         |
| Bonds and Notes  | \$ 16,775,000.00        | \$ 17,985,000.00        |
| Bond Anticipation Notes                                  |                         |                         |
| S.C.I.A. Capital Leases                                  | 1,210,997.60            | 2,325,945.39            |
| NJEIT Loans  | <u>3,943,224.00</u>     | <u>3,943,224.00</u>     |
| Net Issued   | <u>21,929,221.60</u>    | <u>24,254,169.39</u>    |
| <u>Authorized But Not Issued:</u>                        |                         |                         |
| General:   |                         |                         |
| Bonds and Notes  | 1,628,293.83            | 1,493,826.83            |
| Sewer Utility  |                         |                         |
| Bonds and Notes  | <u>782,527.55</u>       | <u>682,527.55</u>       |
| Total Authorized But Not Issued                          | <u>2,410,821.38</u>     | <u>2,176,354.38</u>     |
| Net Bonds and Notes Issued and Authorized but not Issued | <u>\$ 24,340,042.98</u> | <u>\$ 26,430,523.77</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, 2017 and 2016:

|  | <u>2017</u>          | <u>2016</u>                         |
|--|----------------------|-------------------------------------|
| <u>General Debt:</u>   |                      |                                     |
| \$3,360,000. County Guaranteed Governmental<br>Loan Revenue Bonds Series 2010B in annual installments<br>of \$190,000 to \$265,000 through Oct. 1, 2024.<br>interest at 3.00% to 4.00 %.           | \$ 1,780,000.00      | \$ 2,045,000.00                     |
| \$3,640,000. County Guaranteed Governmental<br>Loan Revenue Bonds Series 2010C in annual installments<br>of \$210,000 to \$285,000 through Oct. 1, 2024.<br>interest at 3.00% to 4.00 %.           | 1,920,000.00         | 2,205,000.00                        |
| \$5,340,000. General Improvement Bonds<br>of 2012. due in annual installments<br>of \$330,000 to \$475,000 through Sept. 15, 2026.<br>interest at 2.00% to 2.375%                                  | 3,780,000.00         | 4,155,000.00                        |
| \$3,260,000. County Guaranteed Governmental<br>Loan Revenue Refunding Bonds Series 2012 in annual installments<br>of \$630,000 to \$685,000 through Mar. 15, 2018,<br>interest at 3.00% to 4.00 %. | 685,000.00           | 1,365,000.00                        |
| \$1,465,000. County Guaranteed Governmental<br>Loan Revenue Refunding Bonds Series 2010C in annual installments<br>of \$250,000 to \$305,000 through Aug. 1, 2021.<br>interest at 2.00% to 4.00 %. | 1,140,000.00         | 1,445,000.00                        |
| \$6,770,000. General Obligation Bonds<br>of 2016. due in annual installments<br>of \$300,000 to \$600,000 through Feb. 15, 2031,<br>interest at 1.000% to 3.000%                                   | 6,470,000.00         | 6,770,000.00                        |
| Bond Anticipation Notes - Mature 11/08/18 @ 2.00%  | <u>1,000,000.00</u>  | <u>                            </u> |
| Subtotal - Serial Bond Debt and BAN's for Capital Projects<br>Outstanding December 31  | <u>16,775,000.00</u> | <u>17,985,000.00</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, 2017 and 2016:

|   | <u>2017</u>             | <u>2016</u>             |
|---|-------------------------|-------------------------|
| <u>Loans Outstanding:</u>                                 |                         |                         |
| SCIA Capital Equipment Loan - 2008                        | 65,270.14               | 128,116.62              |
| SCIA Capital Equipment Lease - 2012                       | -                       | 64,538.90               |
| SCIA Capital Equipment Lease - 2014                       | 191,463.14              | 265,763.84              |
| SCIA Capital Equipment Lease - 2015                       | 173,929.90              | 229,526.03              |
| SCIA Capital Equipment Lease - 2016 - Parking Lot Project | -                       | 830,000.00              |
| SCIA Capital Equipment Lease - 2016 - Fire Truck          | 780,334.42              | 808,000.00              |
| NJET Loan - 2016  | <u>3,943,224.00</u>     | <u>3,943,224.00</u>     |
| Subtotal - Loans Outstanding                              | <u>5,154,221.60</u>     | <u>6,269,169.39</u>     |
| Total Outstanding Debt                                    | <u>\$ 21,929,221.60</u> | <u>\$ 24,254,169.39</u> |

NOTES TO FINANCIAL STATEMENTS

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>2017</u>                | <u>Gross Debt</u>      | <u>Deductions</u>      | <u>Net Debt</u>        |
|----------------------------|------------------------|------------------------|------------------------|
| Local School District Debt | \$16,150,000.00        | \$16,150,000.00        |                        |
| Sewer Utility Debt         | 782,527.55             | 782,527.55             |                        |
| General Debt               | <u>23,557,515.43</u>   | <u>1,208,393.88</u>    | <u>\$22,349,121.55</u> |
|                            | <u>\$40,490,042.98</u> | <u>\$18,140,921.43</u> | <u>\$22,349,121.55</u> |

Net Debt \$22,349,121.55 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,219,569,311.67 = 1.83%

| <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%

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

|  | <u>2017</u>            | <u>2016</u>            |
|--|------------------------|------------------------|
| 3 1/2% of Equalized Valuation Basis Municipal Net Debt | <u>\$42,684,925.91</u> | <u>\$42,039,205.81</u> |
|  | <u>22,349,121.55</u>   | <u>25,149,955.55</u>   |
| Remaining Borrowing Power                              | <u>\$20,335,804.36</u> | <u>\$16,889,250.26</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>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| Cash Receipts From Fees, Rents or<br>Other Charges for the year | \$ 2,806,648.86      | \$ 2,837,222.04      |
| Deductions:   |                      |                      |
| Operating and Maintenance Costs                                 | 2,477,300.00         | 2,157,851.48         |
| Debt Service  | <u>69,428.00</u>     | <u>69,428.00</u>     |
| Excess in Revenue   | <u>\$ 329,348.86</u> | <u>\$ 609,942.56</u> |

C. Schedule of General Capital Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding at December 31, 2017

| <u>Calendar<br/>Year</u> | <u>General</u>         |                        |                        |
|--------------------------|------------------------|------------------------|------------------------|
|                          | <u>Principal</u>       | <u>Interest</u>        | <u>Total</u>           |
| 2018                     | \$ 2,245,000.00        | \$ 433,183.75          | \$ 2,678,183.75        |
| 2019                     | 1,590,000.00           | 373,146.25             | 1,963,146.25           |
| 2020                     | 1,620,000.00           | 326,027.50             | 1,946,027.50           |
| 2021                     | 1,595,000.00           | 277,183.75             | 1,872,183.75           |
| 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>\$15,775,000.00</u> | <u>\$ 2,371,973.75</u> | <u>\$18,146,973.75</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 \$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.

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017 and 2016 as follows:

|                      | <u>Fund Balance<br/>December 31, 2017</u> | <u>Utilized in<br/>Succeeding Budget</u> |
|----------------------|---|--|
| Current Fund         | \$5,819,035.56                            | \$1,900,000.00                           |
| Sewer Utility Fund   | 949,967.99                                | 158,316.00                               |
| Parking Utility Fund | 209,778.73                                | 0.00                                     |
|                      | <u>Fund Balance<br/>December 31, 2016</u> | <u>Utilized in<br/>Succeeding Budget</u> |
| Current Fund         | \$4,126,531.66                            | \$1,900,000.00                           |
| Sewer Utility Fund   | 620,619.13                                | 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, 2017 and 2016, the book value of the Borough's deposits were \$15,374,363.42 and \$10,239,480.61 and the bank balances of the Borough's cash and deposits amounted to \$15,233,064.56 and \$10,537,681.85, respectively. Of the bank balance, during 2017 and 2016, \$659,153.76 and \$591,066.22 was FDIC insured and \$14,573,910.80 and \$9,946,615.63 were GUDPA insured.

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

Deposits (Cont'd.)

At December 31, 2017, 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 not 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, 2017, 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> | <u>2017</u><br><u>Amount</u> | <u>2016</u><br><u>Amount</u> |
|-------------------------------------|------------------------------|------------------------------|
| Change Fund                         | \$450.00                     | \$350.00                     |
| Demand Accounts                     | <u>15,373,913.42</u>         | <u>10,239,130.61</u>         |
| Total Cash & Cash Equivalents       | <u>\$15,374,363.42</u>       | <u>\$10,239,480.61</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, 2017:

|   |                    |
|---|--------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 170,124            |
| Inactive plan members entitled to but not yet receiving benefits    | 650                |
| Active plan members   | <u>254,685</u>     |
| <br>Total   | <br><u>425,459</u> |

Contributing Employers – 1,705.

*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, 2017 the Borough's total payroll for all employees was \$5,744,103. Total PERS covered payroll was \$1,977,508. 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 7.20% for State fiscal year 2017. 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, 2016 and 2017 were \$256,278 and \$252,409, 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, 2016 and 2017 consisted of the following:

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

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

|                                   | <u>2016</u>       | <u>2017</u>       |
|-----------------------------------|-------------------|-------------------|
| Normal Cost                       | \$ 39,768         | \$ 35,997         |
| Amortization of Accrued Liability | <u>183,196</u>    | <u>183,193</u>    |
| Total Pension                     | 222,964           | 219,190           |
| NCGI Premiums                     | <u>11,938</u>     | <u>10,939</u>     |
| Total Regular Billing             | 234,902           | 230,129           |
| LTD Expense                       |                   | 668               |
| Additional Billings:              |                   |                   |
| Ch. 19, P.L. 2009                 | <u>21,376</u>     | <u>21,612</u>     |
| Total PERS Payment                | <u>\$ 256,278</u> | <u>\$ 252,409</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, 2017, the PERS reported a liability of \$23,278,401,588 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 \$6,824,311 or .029316%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 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 \$7,672,074 or .025904%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

|                                |                         |
|--------------------------------|-------------------------|
| Inflation                      | 2.25%                   |
| Salary Increases: Through 2026 | 1.65-4.15% Based on age |
| Thereafter                     | 2.65-5.15% Based on age |
| Investment rate of return      | 7.00%                   |

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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

| <u>Asset Class</u>                | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Absolute return/risk mitigation   | 5.00%                    | 5.51%   |
| Cash equivalents                  | 5.50%                    | 1.00%   |
| U.S. Treasuries                   | 3.00%                    | 1.87%   |
| Investment grade credit           | 10.00%                   | 3.78%   |
| Public high yield                 | 2.50%                    | 6.82%   |
| Global diversified credit         | 5.00%                    | 7.10%   |
| Credit oriented hedge funds       | 1.00%                    | 6.60%   |
| Debt related private equity       | 2.00%                    | 10.63%  |
| Debt related real estate          | 1.00%                    | 6.61%   |
| Private real estate               | 2.50%                    | 11.83%  |
| Equity related real estate        | 6.25%                    | 9.23%   |
| U.S. equity                       | 30.00%                   | 8.19%   |
| Non-U.S. developed markets equity | 11.50%                   | 9.00%   |
| Emerging markets equity           | 6.50%                    | 11.64%  |
| Buyouts/venture capital           | 8.25%                    | 13.08%  |

*Discount Rate* – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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, 2017, 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<br>(4.00%) | At current discount rate<br>(5.00%) | At 1% increase<br>(6.00%) |
|---|---------------------------|-------------------------------------|---------------------------|
| State   | \$29,818,581,732          | \$25,645,622,797                    | \$22,179,578,513          |
| Local   | <u>28,878,437,027</u>     | <u>23,278,401,588</u>               | <u>18,612,878,069</u>     |
| PERS Plan Total   | <u>\$58,697,018,759</u>   | <u>\$48,924,024,385</u>             | <u>\$40,792,456,582</u>   |
| Borough's proportionate share<br>of the net pension liability | <u>\$8,466,020</u>        | <u>\$6,824,311</u>                  | <u>\$5,456,563</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, 2017 is as follows:

|                            | <u>State</u>            | <u>Local</u>            | <u>Total</u>            |
|----------------------------|-------------------------|-------------------------|-------------------------|
| Total Pension Liability    | \$32,535,896,852        | \$44,852,367,051        | \$77,388,263,903        |
| Plan Fid. Net Position     | <u>6,890,274,055</u>    | <u>21,573,965,463</u>   | <u>28,464,239,518</u>   |
| Net PERS Pension Liability | <u>\$25,645,622,797</u> | <u>\$23,278,401,588</u> | <u>\$48,924,024,385</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>    |
|--------------------|------------------|
| 2018               | \$49,880         |
| 2019               | 138,889          |
| 2020               | 95,537           |
| 2021               | (65,049)         |
| 2022               | <u>(58,380)</u>  |
| Total              | <u>\$160,877</u> |

*Changes in Proportion* - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 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, 2017:

|   |               |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 43,011        |
| Inactive plan members entitled to but not yet receiving benefits    | 47            |
| Active plan members   | <u>40,789</u> |
| Total   | <u>83,847</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.

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

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

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$5,744,103. Total PFRS covered payroll was \$3,249,078. 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 was 10.0% in State fiscal year 2017. 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, 2016 and 2017 were \$839,221 and \$841,016, 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, 2016 and 2017 consisted of the following:

|   | <u>2016</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Normal Cost                               | \$ 267,132        | \$ 271,678        |
| Amortization of Accrued Liability         | <u>494,139</u>    | <u>491,796</u>    |
| Total Pension                             | 761,271           | 763,474           |
| NCGI Premiums                             | <u>35,520</u>     | <u>34,699</u>     |
| Total Regular Billing                     | 796,791           | 798,173           |
| Additional Billings:<br>Ch. 19, P.L. 2009 | <u>42,430</u>     | <u>42,843</u>     |
| Total PFRS Payment                        | \$ <u>839,221</u> | \$ <u>841,016</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 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 fiscal period in which such payments will become due and payable.

At June 30, 2017, the PFRS reported a net pension liability of \$15,438,066,691 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 \$15,573,388 or 0.100877%. 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 of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$18,700,340 or 0.097894%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

|                                |                         |
|--------------------------------|-------------------------|
| Inflation                      | 2.25%                   |
| Salary Increases: Through 2026 | 2.10-8.98% Based on age |
| Thereafter                     | 3.10-9.98% Based on age |
| Investment rate of return      | 7.00%                   |

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 three years using the plan actuary's modified 2014 projection scales and 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 three 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

NOTES TO FINANCIAL STATEMENTS

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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

| <u>Asset Class</u>                | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Absolute return/risk mitigation   | 5.00%                    | 5.51%   |
| Cash equivalents                  | 5.50%                    | 1.00%   |
| U.S. Treasuries                   | 3.00%                    | 1.87%   |
| Investment grade credit           | 10.00%                   | 3.78%   |
| Public high yield                 | 2.50%                    | 6.82%   |
| Global diversified credit         | 5.00%                    | 7.10%   |
| Credit oriented hedge funds       | 1.00%                    | 6.60%   |
| Debt related private equity       | 2.00%                    | 10.63%  |
| Debt related real estate          | 1.00%                    | 6.61%   |
| Private real estate               | 2.50%                    | 11.83%  |
| Equity related real estate        | 6.25%                    | 9.23%   |
| U.S. equity                       | 30.00%                   | 8.19%   |
| Non-U.S. developed markets equity | 11.50%                   | 9.00%   |
| Emerging markets equity           | 6.50%                    | 11.64%  |
| Buyouts/venture capital           | 8.25%                    | 13.08%  |

*Discount Rate* – The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

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, 2017, 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><br><u>(5.14%)</u> | <u>At current discount rate</u><br><u>(6.14%)*</u> | <u>At 1% increase</u><br><u>(7.14%)</u> |
|-----------------|---|--|---|
| State           | \$ 5,202,348,756                        | \$ 4,395,743,141                                   | \$ 3,734,560,750                        |
| Local           | <u>22,619,279,081</u>                   | <u>17,167,260,198</u>                              | <u>12,687,806,745</u>                   |
| PFRS Plan Total | <u>\$27,821,627,837</u>                 | <u>\$21,563,003,339</u>                            | <u>\$16,422,367,495</u>                 |

\*- Local Share includes \$1,729,193,507 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, 2017 is as follows:

|                             | <u>State</u>            | <u>Local</u>            | <u>Total</u>            |
|-----------------------------|-------------------------|-------------------------|-------------------------|
| Total Pension Liability     | \$ 5,939,531,281        | \$41,471,190,457        | \$47,410,721,738        |
| Plan Fiduciary Net Position | <u>1,543,788,140</u>    | <u>24,303,930,259</u>   | <u>25,847,718,399</u>   |
| Net PFRS Pension Liability  | <u>\$ 4,395,743,141</u> | <u>\$17,167,260,198</u> | <u>\$21,563,003,339</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>     |
|--------------------|-------------------|
| 2018               | \$222,882         |
| 2019               | 544,678           |
| 2020               | 49,060            |
| 2021               | (613,483)         |
| 2022               | <u>(259,871)</u>  |
| Total              | <u>\$(56,734)</u> |

*Changes in Proportion* - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 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, 2017 the Borough's total payroll for all employees was \$5,744,103. Total DCRP covered payroll was \$60,715. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Borough and employee contributions to the DCRP for the year ended December 31, 2017 were \$1,675 and \$3,071, 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  | \$ 6,824,311                 | \$2,190,137              | \$2,029,260             | \$400,607                    |
| PFRS  | <u>15,573,388</u>            | <u>2,734,667</u>         | <u>2,791,401</u>        | <u>1,458,786</u>             |
| Total | <u>\$ 22,397,699</u>         | <u>\$4,924,804</u>       | <u>\$4,820,661</u>      | <u>\$1,859,393</u>           |

## NOTES TO FINANCIAL STATEMENTS

### 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, 2017 were \$6,506.40, which equaled the required contributions for the year. There was 1 retired participant eligible at December 31, 2017.

### 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 \$1,600,121 and \$1,663,295 for 2017 and 2016. 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.



NOTES TO FINANCIAL STATEMENTS

Note 10: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Statewide 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, 2017, the Fund reported for all years combined, total assets of \$48,640,942, liabilities and expenses of \$35,254,357, which includes loss reserves of \$34,789,439 and net position for all years of \$13,386,585.

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 2017 and the previous two years

| <u>Fiscal Year</u> | <u>Borough Contributions And Interest</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|---|-------------------------------|--------------------------|-----------------------|
| 2017               | \$4,287.50                                | \$7,355.24                    | \$2,049.72               | \$51,806.27           |
| 2016               | 2,576.54                                  | 6,294.44                      | 720.71                   | 42,213.25             |
| 2015               | 18,261.38                                 | 16,233.99                     | 1,018.08                 | 34,062.98             |

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, 2017, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2017, the Borough of Somerville was a party to various construction contracts and commitments that totaled \$353,552 in its General Capital Fund. Parks and Playgrounds with total commitments of \$129,001; Roads and Sidewalks with total commitments of \$73,990; and Master Plan/Redevelopment Plan with total commitments of \$65,800.

Litigation

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.

NOTES TO FINANCIAL STATEMENTS

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.

Note 13: INTERFUNDS

The following interfund balances remained on the balance sheet date at December 31, 2017:

| Fund:                  | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|------------------------|----------------------------------|-------------------------------|
| Current Fund           | \$ 14,420.80                     | \$ 592,348.28                 |
| Grant Fund             | 365,258.82                       |                               |
| Animal Control Fund    |                                  | 14,420.80                     |
| Trust Other Fund       | 229,510.42                       | 39,533.60                     |
| Public Assistance Fund | 25,533.60                        |                               |
| Sewer Operating Fund   | 461,601.32                       |                               |
| Sewer Capital Fund     | <u>0.00</u>                      | <u>450,022.28</u>             |
| Total                  | <u>\$1,096,324.96</u>            | <u>\$1,096,324.96</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 2017 were \$389,904.71 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$675,524.95, based upon the assessed valuations of the long-term tax exemptions properties.

NOTES TO FINANCIAL STATEMENTS

Note 15: GOVERNMENTAL FIXED ASSETS

The Borough's governmental fixed assets are reported as follows:

|                        | Balance<br><u>Dec. 31, 2016</u> | Balance<br><u>Dec. 31, 2017</u> |
|------------------------|---------------------------------|---------------------------------|
| Land                   | \$12,521,500                    | \$10,571,500                    |
| Buildings/Improvements | 10,598,600                      | 10,498,600                      |
| Equipment              | <u>7,213,229</u>                | <u>7,495,207</u>                |
|                        | <u>\$30,333,329</u>             | <u>\$28,565,307</u>             |

Note 16: SUBSEQUENT EVENTS

A. The following bond ordinances were authorized:

The Borough appropriated \$1,500,000 therefore authorized the issuance of \$1,425,000 Bond and/or Notes dated March 19, 2018, for the Acquisition of Property Located at 85-1-1 North Gaston Avenue.

The Borough appropriated \$1,948,036 therefore authorized the issuance of \$1,039,775 Bond and/or Notes dated May 21, 2018, for Various Improvements.

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



**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> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|
| Borough's Proportion of the Net Pension Liability  | 0.031910%   | 0.027323%   | 0.025904%   | 0.029316%   |
| Borough's Proportionate Share of the Net Pension Liability   | \$5,974,460 | \$6,133,400 | \$7,672,074 | \$6,824,311 |
| Borough's Covered-Employee Payroll   | \$1,217,865 | \$1,258,125 | \$2,011,384 | \$1,977,508 |
| Borough's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll | 490.57%     | 487.50%     | 381.43%     | 345.10%     |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability                                 | 52.08%      | 47.93%      | 40.14%      | 48.10%      |

\* 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>         | <u>2017</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| Contractually Required Contribution                                | \$ 267,335          | \$ 284,307          | \$ 256,278          | \$ 252,409          |
| Contribution in Relation to<br>Contractually Required Contribution | <u>\$ (267,335)</u> | <u>\$ (284,307)</u> | <u>\$ (256,278)</u> | <u>\$ (252,409)</u> |
| Contribution deficiency (excess)                                   | \$ -                | \$ -                | \$ -                | \$ -                |
| Borough's Proportionate Share of the<br>Payroll                    | \$ 1,217,865        | \$ 1,258,125        | \$ 2,011,384        | \$ 1,977,508        |
| Contributions as a percentage of<br>Covered Employee Payroll       | 21.95%              | 22.60%              | 12.74%              | 12.76%              |

\* 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>  | <u>2017</u>  |
|---|--------------|--------------|--------------|--------------|
| Proportion of the Non-State Employer Group<br>Net Pension Liability attributable to the District  | 0.100275%    | 0.098024%    | 0.097894%    | 0.100877%    |
| Share of the Liability of the State of New Jersey<br>for the Net Pension Liability of the Non-State<br>Employer Group   | \$12,613,612 | \$16,327,424 | \$18,700,340 | \$15,573,388 |
| District's Covered-Employee<br>Payroll  | \$2,256,044  | \$2,325,819  | \$3,248,131  | \$3,249,078  |
| Share of the Liability of the State of New Jersey<br>for the Net Pension Liability of the Non-State<br>Employer Group as a percentage of the<br>District's Covered-Employee Payroll | 559.10%      | 702.01%      | 575.73%      | 479.32%      |
| Plan Fiduciary Net Position as a<br>percentage of the Total Pension<br>Liability (See Note Below)   | 62.41%       | 56.31%       | 52.01%       | 58.60%       |

\* 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>         | <u>2017</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| Contractually Required Contribution                                | \$ 766,376          | \$ 812,482          | \$ 839,221          | \$ 841,016          |
| Contribution in Relation to<br>Contractually Required Contribution | <u>\$ (766,376)</u> | <u>\$ (812,482)</u> | <u>\$ (839,221)</u> | <u>\$ (841,016)</u> |
| Contribution deficiency (excess)                                   | \$ -                | \$ -                | \$ -                | \$ -                |
| Borough's Proportionate Share of the<br>Payroll                    | \$ 2,256,044        | \$ 2,325,819        | \$3,248,131         | \$3,249,078         |
| Contributions as a percentage of<br>Covered Employee Payroll       | 33.97%              | 34.93%              | 25.84%              | 25.88%              |

\* 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, 2017**

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, 2017, dated March 29, 2018. 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 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, 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* – In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

*Changes in assumptions* - For 2017, the discount rate changed to 6.14% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%, 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**



**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  
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 CPAs  
NEW JERSEY SOCIETY OF CPAs  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**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, 2017, 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 21, 2018. 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.*

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

Highland Park, New Jersey  
June 21, 2018

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
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MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**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, 2017. 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, 2017.

### 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 programs 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.*

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

Highland Park, New Jersey  
June 21, 2018

**Schedule of Expenditures of Federal Awards**

Borough of Somerville  
 County of Somerset  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2017

| Federal Funding Department                           | CFDA Number | Total Award  | Pass Through Account No. | Grant Period | Cash Receipts   | Expenditures    | Cumulative at December 31, 2017 |
|--|-------------|--------------|--------------------------|--------------|-----------------|-----------------|---------------------------------|
| Indirect Awards:                                     |             |              |                          |              |                 |                 |                                 |
| Passed Through County of Somerset:                   |             |              |                          |              |                 |                 |                                 |
| Community Development Block Programs:                |             |              |                          |              |                 |                 |                                 |
| Library ADA Compliant Restrooms                      | 14.218      | 88,809.00    |                          | 2014         | \$ -            | -               | \$ 83,097.11                    |
|  |             |              |                          |              |                 |                 | 83,097.11                       |
| Direct Programs:                                     |             |              |                          |              |                 |                 |                                 |
| Department of Justice                                |             |              |                          |              |                 |                 |                                 |
| Federal Bulletproof Partnership Program              | 16.607      | 1,725.05     |                          | 2014         |                 |                 | 1,905.70                        |
| Federal Bulletproof Partnership Program              | 16.607      | 3,163.06     |                          | 2015         |                 |                 | 1,905.70                        |
|  |             |              |                          |              |                 |                 | 1,905.70                        |
| Department of Environmental Protection               |             |              |                          |              |                 |                 |                                 |
| NJ Environmental Infrastructure Trust - 2016 - Trust | 66.458      | 3,943,224.00 |                          | 2016         | 1,090,936.00    | 1,157,757.29    | 2,188,894.48                    |
| U.S. Department of Housing and Urban Development:    |             |              |                          |              |                 |                 |                                 |
| Section 8 Program:                                   |             |              |                          |              |                 |                 |                                 |
| Low Income Housing Assistance Program - Vouchers     | 14.871      | 2,241,472.00 | NJ39V097013/026          | 2017         | 2,241,472.00    | 2,241,472.00    | 2,241,472.00                    |
|  |             |              |                          |              | 2,241,472.00    | 2,241,472.00    | 2,241,472.00                    |
| Total Expenditures of Federal Awards                 |             |              |                          |              | \$ 3,332,408.00 | \$ 3,399,229.29 | \$ 4,515,369.29                 |

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, 2017

NOTE 1: GENERAL

The accompanying schedule 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 schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. In addition, The Borough has elected not to use the 10 percent de minimis indirect cost rate under the Uniform Guidance and has not charged any indirect costs to its funded programs.

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, 2017

Sch. C

Section I - 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>                                 |
|--------------------|--|
| 14.871             | HUD Section 8 Low Income Housing Assistance Program - Vouchers |
| _____              | _____  |
| _____              | _____  |
| _____              | _____  |

BOROUGH OF SOMERVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

*Section 1 – Summary of Prior Year Federal Findings*

SUMMARY OF PRIOR YEAR FINDINGS

None

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



**PART IV  
SUPPLEMENTARY SCHEDULES**

**Current Fund**

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

|  | <u>REF.</u> | <u>CURRENT FUND</u>          |
|--|-------------|------------------------------|
| Balance - December 31, 2016                | A           | \$6,597,866.12               |
| Increased by Receipts:                     |             |                              |
| Taxes Receivable                           | A-7         | 40,445,474.17                |
| Prepaid Property Taxes                     | A-7         | 1,122,604.91                 |
| Delinquent Taxes                           | A-7         | 633,259.46                   |
| Due from State of N.J. - Ch. 73, P.L. 1976 | A-8         | 52,750.00                    |
| Various Payables and Reserves              | A-10        | 25,664.06                    |
| Miscellaneous Revenue Anticipated          | A-11        | 4,175,548.24                 |
| Revenue Accounts Receivable                | A-11        | 70,311.09                    |
| Miscellaneous Revenue Not Anticipated      | A-11        | 512,563.64                   |
| Interfund Loans Received/Returned          | A-13        | 494,367.53                   |
| Tax Overpayments                           | A-15        | <u>11,516.77</u>             |
|  |             | <u>47,544,059.87</u>         |
|  |             | 54,141,925.99                |
| Decreased by Disbursements:                |             |                              |
| Refund of Prior Years Revenues             | A- 1        | 76,612.56                    |
| Budget Expenditures                        | A- 3        | 14,387,016.01                |
| Change Fund                                | A- 5        | 100.00                       |
| Various Payables and Reserves              | A-10        | 7,830.71                     |
| Taxes Payable                              | A-12        | 28,941,016.23                |
| Interfund Loans Disbursed/Returned         | A-13        | 687,017.83                   |
| 2016 Appropriation Reserves                | A-14        | <u>447,044.06</u>            |
|  |             | <u>44,546,637.40</u>         |
| Balance - December 31, 2017                | A           | <u><u>\$9,595,288.59</u></u> |

SCHEDULE OF CHANGE FUNDS  
CURRENT FUND

| <u>DEPARTMENT</u> | <u>BALANCE</u><br><u>DEC. 31, 2016</u> | <u>INCREASED</u> | <u>BALANCE</u><br><u>DEC. 31, 2017</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                                  |
| Recreation        |  | 100.00           | 100.00                                 |
|                   | <u>\$300.00</u>                        | <u>\$100.00</u>  | <u>\$400.00</u>                        |
| <u>Ref.</u>       | A                                      | A-4              | A                                      |

SCHEDULE OF MAINTENANCE LIENS RECEIVABLE  
CURRENT FUND

|                             | <u>Ref.</u> |                    |
|-----------------------------|-------------|--------------------|
| Balance - December 31, 2016 | A           | \$ 1,512.00        |
| Balance - December 31, 2017 | A           | <u>\$ 1,512.00</u> |



SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

| Year  | Balance Dec 31, 2016 | Added Taxes and Levy | Collected        | Tax Overpayments Applied | State Veterans and Senior Citizens' Deductions | Transferred to Tax Title Liens | Adjustments and Canceled | Balance Dec 31, 2017 |
|---|----------------------|----------------------|------------------|--------------------------|--|--------------------------------|--------------------------|----------------------|
| 2016  | \$ 729,931.42        | \$ -                 | \$ 613,412.14    | \$ 11,715.18             | \$ -   | \$ 6,491.90                    | \$ 98,712.20             | \$ -                 |
| 2017  | -                    | 41,388,223.89        | 264,688.69       | 40,445,474.17            | 52,382.19                                      | 100,457.99                     | 2,484.00                 | 522,736.85           |
|   | \$ 729,931.42        | \$ 41,388,223.89     | \$ 264,688.69    | \$ 41,058,886.31         | \$ 52,382.19                                   | \$ 100,949.89                  | \$ 100,796.20            | \$ 522,736.85        |
| Ref   | A                    | Below                | A                | A-4                      | A-7  | A-7                            | Reserve                  | A                    |
|   |                      |                      |                  | Prepaid Taxes            |  | A-4                            |                          |                      |
|   |                      |                      |                  |                          |  | A                              |                          |                      |
| <u>Analysis of 2017 Property Tax Levy:</u>        |                      |                      |                  |                          |  |                                |                          |                      |
| <u>General Purpose Tax:</u>                       |                      |                      |                  |                          |  |                                |                          |                      |
|   | \$ 41,314,977.15     |                      |                  |                          |  |                                |                          |                      |
| General Property Tax                              |                      | 73,246.74            |                  |                          |  |                                |                          |                      |
| Added Taxes                                       |                      |                      |                  |                          |  |                                |                          |                      |
|   |                      |                      | \$ 41,388,223.89 |                          |  |                                |                          |                      |
| <u>Tax Levy:</u>                                  |                      |                      |                  |                          |  |                                |                          |                      |
| Local District School Tax Levy                    | A-12                 | \$ 23,435,216.00     |                  |                          |  |                                |                          |                      |
| Special District Taxes                            | A-12                 | 529,784.80           |                  |                          |  |                                |                          |                      |
| County Tax  | A-12                 | 4,972,064.56         |                  |                          |  |                                |                          |                      |
| County Added and Omitted                          | A-12                 | 8,950.87             |                  |                          |  |                                |                          |                      |
|   |                      |                      | \$ 28,946,016.23 |                          |  |                                |                          |                      |
| <u>Local Taxes</u>                                |                      |                      |                  |                          |  |                                |                          |                      |
| Municipal Purposes                                | A-2                  | 12,376,236.00        |                  |                          |  |                                |                          |                      |
| Added Taxes                                       |                      | 65,971.66            |                  |                          |  |                                |                          |                      |
|   |                      |                      | 12,442,207.66    |                          |  |                                |                          |                      |
|   |                      |                      | \$ 41,388,223.89 |                          |  |                                |                          |                      |
| <u>Tax Title Lien Activity:</u>                   |                      |                      |                  |                          |  |                                |                          |                      |
| <u>Tax Title Lien Balance - December 31, 2016</u> |                      |                      |                  |                          |  |                                |                          |                      |
| Transferred from Taxes Receivable                 | A                    | \$ 245,535.43        |                  |                          |  |                                |                          |                      |
| Cash Receipts                                     | A-7                  | 100,949.89           |                  |                          |  |                                |                          |                      |
|   | A-4                  | (19,847.32)          |                  |                          |  |                                |                          |                      |
|   |                      |                      | \$ 41,388,223.89 |                          |  |                                |                          |                      |
| <u>Tax Title Lien Balance - December 31, 2017</u> |                      |                      |                  |                          |  |                                |                          |                      |
| Current Year Tax Collections                      | A-2                  | \$ 52,382.19         |                  |                          |  |                                |                          |                      |
| N.J. Senior Cit & Vets                            | A-2                  | 264,688.69           |                  |                          |  |                                |                          |                      |
| Prepaid Taxes - 2017                              | A-2                  | 40,445,474.17        |                  |                          |  |                                |                          |                      |
| Current Year Collections                          | A-1                  | \$ 40,762,545.05     |                  |                          |  |                                |                          |                      |
| Delinquent Collections                            | A-2                  | \$ 633,259.46        |                  |                          |  |                                |                          |                      |
| Prior Year Taxes TTL                              | A-2                  | 11,715.18            |                  |                          |  |                                |                          |                      |
| Overpayments Applied                              | A-1                  | \$ 644,974.64        |                  |                          |  |                                |                          |                      |

SCHEDULE OF DUE TO STATE OF NEW JERSEY  
PER CH. 129, P.L. 1976 - CURRENT FUND

|   | <u>REF.</u> |               |                     |
|---|-------------|---------------|---------------------|
| Balance - December 31, 2016                       | A           |               | \$ 5,659.26         |
| Increased by:                                     |             |               |                     |
| Cash Receipts                                     | A-4         | 52,750.00     |                     |
| 2017 Deductions Disallowed by Collector           | A-8         | <u>617.81</u> |                     |
|   |             |               | <u>53,367.81</u>    |
|   |             |               | 59,027.07           |
| Decreased by:                                     |             |               |                     |
| Deductions Allowed Per Tax Billings               | A-8         | 52,750.00     |                     |
| 2017 Deductions Allowed by Collector              | A-8         | <u>250.00</u> |                     |
|   |             |               | <u>53,000.00</u>    |
| Balance - December 31, 2017                       | A           |               | <u>\$ 6,027.07</u>  |
| <br><u>Analysis of Realized Revenue for 2017:</u> |             |               |                     |
| Deductions Allowed Per Tax Billings               | A-8         | \$ 52,750.00  |                     |
| 2017 Deductions Allowed by Collector              | A-8         | 250.00        |                     |
| 2017 Deductions Disallowed by Collector           | A-8         | <u>617.81</u> |                     |
| Realized as Revenue - 2017                        | A-7         |               | <u>\$ 52,382.19</u> |

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

|                             | <u>REF.</u> |                    |
|-----------------------------|-------------|--------------------|
| Balance - December 31, 2016 | A           | \$28,500.00        |
| Balance - December 31, 2017 | A           | <u>\$28,500.00</u> |

CURRENT FUND  
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

|                          | Dec. 31, 2016       | Cash<br>Receipts    | Cash<br>Disbursements | Dec. 31, 2017       |
|--------------------------|---------------------|---------------------|-----------------------|---------------------|
| Accounts Payable:        |                     |                     |                       |                     |
| Vendor Accounts Payable  | \$ 3,024.45         | \$ -                | \$ -                  | \$ 3,024.45         |
| Subtotal                 | <u>3,024.45</u>     | <u>-</u>            | <u>-</u>              | <u>3,024.45</u>     |
| Reserve for:             |                     |                     |                       |                     |
| Master Plan              | \$ 10,000.00        |                     |                       | \$ 10,000.00        |
| Property Revaluation     | 2,200.00            |                     |                       | 2,200.00            |
| Sale of Municipal Assets | 24,299.45           |                     |                       | 24,299.45           |
| Tax Appeals              | 21,953.11           | 25,664.06           | (7,830.71)            | 39,786.46           |
| Library Surplus          | 14,220.00           |                     |                       | 14,220.00           |
| Subtotal                 | <u>72,672.56</u>    | <u>25,664.06</u>    | <u>(7,830.71)</u>     | <u>90,505.91</u>    |
| Total                    | <u>\$ 75,697.01</u> | <u>\$ 25,664.06</u> | <u>\$ (7,830.71)</u>  | <u>\$ 93,530.36</u> |

Ref. A A-4 A-4 A

CURRENT FUND  
SCHEDULE OF NONBUDGET REVENUES & VARIOUS ACCOUNTS RECEIVABLES

|  | Dec. 31, 2016 | Accrued/<br>Adjustments | Cash<br>Receipts | Dec. 31, 2017 |
|--|---------------|-------------------------|------------------|---------------|
| Revenue Accounts Receivable:               |               |                         |                  |               |
| Fines and Costs - Municipal Court          | \$ 70,311.09  | 20,550.82               | \$ (70,311.09)   | \$ 20,550.82  |
|  | 70,311.09     | 20,550.82               | (70,311.09)      | 20,550.82     |
| Non - Budget Revenue:                      |               |                         |                  |               |
| Administrative Fees                        |               | 149,223.91              | (149,223.91)     | -             |
| Miscellaneous Fees and Permits             |               | 33,280.37               | (33,280.37)      | -             |
| Landlord Registration Fees                 |               | 42,614.71               | (42,614.71)      | -             |
| PILOT Programs                             |               | 248,539.20              | (248,539.20)     | -             |
| Police Reports                             |               | 1,874.60                | (1,874.60)       | -             |
| Marriage/ Civil Union Ceremonies           |               | 350.00                  | (350.00)         | -             |
| Miscellaneous                              |               | 36,680.85               | (36,680.85)      | -             |
|  | -             | 512,563.64              | (512,563.64)     | -             |
| Total.....                                 | \$ 70,311.09  | \$ 533,114.46           | \$ (582,874.73)  | \$ 20,550.82  |
|  | Ref.          | A                       | A-4              | A             |
| <u>Analysis of Miscellaneous Revenues:</u> |               |                         |                  |               |
| Account Receivable Collections             |               |                         | \$ 70,311.09     |               |
| Current Year Collections                   |               |                         | 4,175,548.24     |               |
| Subtotal                                   |               |                         | 4,245,859.33     |               |
| Grants Realized - Grant Fund               |               |                         | 571,266.01       |               |
|  |               |                         | \$ 4,817,125.34  |               |

CURRENT FUND  
SCHEDULE OF TAXES PAYABLE

|                          | Dec. 31, 2016 | Taxes<br>Levied         | Cash<br>Disbursements     | Dec. 31, 2017      |
|--------------------------|---------------|-------------------------|---------------------------|--------------------|
| County - General         | \$ -          | \$ 4,972,064.56         | \$ (4,972,064.56)         | \$ -               |
| County - Added & Omitted | -             | 8,950.87                | (8,950.87)                | -                  |
| Local School Taxes       | -             | 23,435,216.00           | (23,435,216.00)           | -                  |
| Special District Taxes   | -             | 529,784.80              | (524,784.80)              | 5,000.00           |
| <b>Total</b>             | <b>\$ -</b>   | <b>\$ 28,946,016.23</b> | <b>\$ (28,941,016.23)</b> | <b>\$ 5,000.00</b> |

Ref.

A

A-1,A-2,A-7

A-4

A

CURRENT FUND  
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

|                                 | Dec. 31, 2016        | Cash Receipts        | Cash Disbursements   | Adjustments         | Dec. 31, 2017        |
|---------------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| <b>Interfunds:</b>              |                      |                      |                      |                     |                      |
| Grant Fund                      | \$ 295,477.94        | \$ 493,116.66        | \$ 452,670.00        | \$ 29,334.22        | \$ 365,258.82        |
| Assessment Trust Fund           | 164,336.32           |                      | 164,336.32           |                     | -                    |
| Animal Control Trust Fund       | (7,009.60)           |                      |                      | (7,411.20)          | (14,420.80)          |
| Other Trust Fund                | 226,219.23           | 1,250.87             | 11,959.68            |                     | 215,510.42           |
| General Capital Fund            | 58,051.83            |                      | 58,051.83            |                     | -                    |
| Sewer Operating Fund            | 11,579.04            |                      |                      |                     | 11,579.04            |
| Interfunds Receivable           | (7,009.60)           |                      |                      |                     | (14,420.80)          |
| Interfunds Payable              | 755,664.36           |                      |                      |                     | 592,348.28           |
| <b>Total</b>                    | <b>\$ 748,654.76</b> | <b>\$ 494,367.53</b> | <b>\$ 687,017.83</b> | <b>\$ 21,923.02</b> | <b>\$ 577,927.48</b> |
|                                 | <u>Ref.</u>          | A                    | A-4                  | A-4                 | A                    |
| Grant Revenue Realized          | A-2                  |                      |                      | \$ (571,266.01)     |                      |
| Grant Appropriations Realized   | A-3                  |                      |                      | 604,930.35          |                      |
| Grant Receivable - Cancelled    | A-1                  |                      |                      | 25,780.55           |                      |
| Grant Appropriations Cancelled  | A-1                  |                      |                      | (30,110.67)         |                      |
| Due from Animal Control Reserve | Reserve              |                      |                      | <u>(7,411.20)</u>   |                      |
|                                 |                      |                      |                      | <u>\$ 21,923.02</u> |                      |

SCHEDULE OF 2016 APPROPRIATION RESERVES

|                                       | BALANCE<br>DEC. 31<br><u>2016</u> | ENCUMBERED<br><u>2016</u> | BALANCE<br>AFTER<br><u>MODIFICATION</u> | PAID OR<br><u>CHARGED</u> | BALANCE<br><u>LAPSED</u> |
|---------------------------------------|-----------------------------------|---------------------------|---|---------------------------|--------------------------|
| <b>Salaries and Wages:</b>            |                                   |                           |   |                           |                          |
| <b>Inside "CAPS":</b>                 |                                   |                           |   |                           |                          |
| Administrative & Executive            | \$ 5,179.98                       | \$                        | \$ 5,179.98                             | \$                        | \$ 5,179.98              |
| Borough Clerk                         | 507.40                            |                           | 507.40                                  |                           | 507.40                   |
| Financial Administration              | 81.19                             |                           | 81.19                                   |                           | 81.19                    |
| Assessment of Taxes                   | 1,480.75                          |                           | 1,480.75                                |                           | 1,480.75                 |
| Collection of Taxes                   | 4,197.67                          |                           | 4,197.67                                |                           | 4,197.67                 |
| Legal Services                        | 1,204.97                          |                           | 1,204.97                                |                           | 1,204.97                 |
| Engineering                           | 2,503.22                          |                           | 2,503.22                                |                           | 2,503.22                 |
| Public Buildings and Grounds          | 6,581.90                          |                           | 6,581.90                                |                           | 6,581.90                 |
| Fire                                  | 650.08                            |                           | 650.08                                  |                           | 650.08                   |
| Uniform Fire Safety Act               | 6,567.54                          |                           | 6,567.54                                |                           | 6,567.54                 |
| Police                                | 10,600.40                         |                           | 10,600.40                               | 3,231.73                  | 7,368.67                 |
| Road Repair and Maintenance           | 18,486.39                         |                           | 18,486.39                               | 2,687.92                  | 15,798.47                |
| Board of Health                       | 174.33                            |                           | 174.33                                  |                           | 174.33                   |
| Parks and Playgrounds                 | 24,552.00                         |                           | 24,552.00                               |                           | 24,552.00                |
| Recreation                            | 392.54                            |                           | 392.54                                  | 392.54                    |                          |
| Municipal Court                       | 1,865.96                          |                           | 1,865.96                                |                           | 1,865.96                 |
| Community Development                 | 75.05                             |                           | 75.05                                   |                           | 75.05                    |
| Plumbing Inspector                    | 359.40                            |                           | 359.40                                  |                           | 359.40                   |
| Electrical Inspector                  | 510.04                            |                           | 510.04                                  |                           | 510.04                   |
| Building Inspector                    | 2,905.00                          | 1,495.00                  | 4,400.00                                |                           | 4,400.00                 |
| <b>Total Salaries and Wages</b>       | <b>88,875.81</b>                  | <b>1,495.00</b>           | <b>90,370.81</b>                        | <b>6,312.19</b>           | <b>84,058.62</b>         |
| <b>Other Expenses:</b>                |                                   |                           |   |                           |                          |
| <b>Inside "CAPS":</b>                 |                                   |                           |   |                           |                          |
| Administrative and Executive          | 117,372.28                        | 1,722.06                  | 119,094.34                              | 1,038.59                  | 118,055.75               |
| Elections                             | 198.12                            |                           | 198.12                                  |                           | 198.12                   |
| Financial Administration              | 21,068.54                         | 2,916.00                  | 23,984.54                               | 3,662.25                  | 20,322.29                |
| Audit                                 | 49,175.00                         |                           | 49,175.00                               | 49,150.00                 | 25.00                    |
| Assessment of Taxes                   | 1,795.29                          | 1,339.95                  | 3,135.24                                | 1,339.95                  | 1,795.29                 |
| Collection of Taxes                   | 1,165.96                          | 180.00                    | 1,345.96                                | 30.00                     | 1,315.96                 |
| Legal Services                        | 3,808.44                          | 6,370.00                  | 10,178.44                               | 6,728.00                  | 3,450.44                 |
| Engineering                           | 5,059.87                          | 4,678.11                  | 9,737.98                                | 5,188.02                  | 4,549.96                 |
| Public Buildings and Grounds          | 8,128.30                          | 16,980.67                 | 25,108.97                               | 11,655.37                 | 13,453.60                |
| Planning Board                        | 17,610.40                         | 570.00                    | 18,180.40                               | 570.00                    | 17,610.40                |
| Dept. of Technology                   | 813.78                            | 144.99                    | 958.77                                  | 144.99                    | 813.78                   |
| Zoning Board of Adjustment            | 768.06                            |                           | 768.06                                  |                           | 768.06                   |
| Group Insurance for Employees         | 93,091.67                         | 110,031.55                | 203,123.22                              | 113,831.95                | 89,291.27                |
| Other Insurance Premiums              | 16,357.71                         |                           | 16,357.71                               |                           | 16,357.71                |
| Prescription Drug/Dental Program      | 10,601.04                         |                           | 10,601.04                               |                           | 10,601.04                |
| Fire                                  | 4,802.29                          | 9,090.94                  | 13,893.23                               | 12,261.54                 | 1,631.69                 |
| Uniform Fire Safety Act               | 1,141.54                          | 1,204.10                  | 2,345.64                                | 1,204.10                  | 1,141.54                 |
| Police                                | 7,092.37                          | 25,362.01                 | 32,454.38                               | 23,546.42                 | 8,907.96                 |
| First Aid Organization - Contribution | 1,400.00                          |                           | 1,400.00                                |                           | 1,400.00                 |
| Emergency Management                  | 2,387.01                          |                           | 2,387.01                                | 56.49                     | 2,330.52                 |
| School Crossing Guards Contractual    | 59,863.93                         | 6,074.12                  | 65,938.05                               | 3,199.07                  | 62,738.98                |
| Road Repair and Maintenance           | 13,902.38                         | 19,072.95                 | 32,975.33                               | 4,944.74                  | 28,030.59                |
| Snow Removal                          | 17,504.60                         | 3,490.76                  | 20,995.36                               | 490.76                    | 20,504.60                |
| Sanitary Sewer System                 | 5,595.00                          |                           | 5,595.00                                |                           | 5,595.00                 |
| Garbage and Trash Removal Contractual | 27,953.85                         | 137,581.87                | 165,535.72                              | 45,235.46                 | 120,300.26               |
| Recycling                             |                                   | 31,222.45                 | 31,222.45                               | 31,222.45                 |                          |
| Board of Health                       | 1,732.20                          |                           | 1,732.20                                |                           | 1,732.20                 |
| Dog Regulation (contractual)          | 2,240.00                          |                           | 2,240.00                                |                           | 2,240.00                 |
| Parks and Playgrounds                 | 25,273.61                         | 3,687.01                  | 28,960.62                               | 66.31                     | 28,894.31                |
| Recreation                            | 2,550.00                          |                           | 2,550.00                                |                           | 2,550.00                 |
| Celebration of Public Events          | 2,040.00                          |                           | 2,040.00                                |                           | 2,040.00                 |
| Municipal Court                       | 5,078.04                          |                           | 5,078.04                                |                           | 5,078.04                 |
| Community Development                 | 67.83                             | 3,103.27                  | 3,171.10                                | 2,853.23                  | 317.87                   |
| Street Lighting                       | 34,015.69                         | 62,873.94                 | 96,889.63                               | 41,357.45                 | 55,532.18                |



SCHEDULE OF 2016 APPROPRIATION RESERVES

|                              | BALANCE<br>DEC. 31<br><u>2016</u> | ENCUMBERED<br><u>2016</u> | BALANCE<br>AFTER<br><u>MODIFICATION</u> | PAID OR<br><u>CHARGED</u> | BALANCE<br><u>LAPSED</u> |
|------------------------------|-----------------------------------|---------------------------|---|---------------------------|--------------------------|
| Other Expenses:              |                                   |                           |   |                           |                          |
| Inside "CAPS":               |                                   |                           |   |                           |                          |
| Fire Hydrant Service         | 29,137.50                         | 12,187.50                 | 41,325.00                               | 12,187.50                 | 29,137.50                |
| Telephone                    | 8,681.61                          | 4,143.65                  | 12,825.26                               | 4,042.92                  | 8,782.34                 |
| Water                        | 3,613.53                          | 352.72                    | 3,966.25                                | 1,074.19                  | 2,892.06                 |
| Electricity                  | 34,516.65                         | 24,277.67                 | 58,794.32                               | 23,352.73                 | 35,441.59                |
| Gasoline                     | 49,683.27                         | 13,103.59                 | 62,786.86                               | 12,939.08                 | 49,847.78                |
| Contingent                   | 1,020.00                          |                           | 1,020.00                                |                           | 1,020.00                 |
| Social Security System       | 11,734.32                         |                           | 11,734.32                               |                           | 11,734.32                |
| State Unemployment Insurance | 361.54                            | 1,000.00                  | 1,361.54                                | 1,000.00                  | 361.54                   |
| Matching Funds for Grants    | 2,242.66                          |                           | 2,242.66                                |                           | 2,242.66                 |
| Other Expenses:              |                                   |                           |   |                           |                          |
| Out of "CAPS":               |                                   |                           |   |                           |                          |
| LOSAP                        | 9,450.00                          |                           | 9,450.00                                |                           | 9,450.00                 |
| SCIA Lease Program           |                                   |                           |   |                           |                          |
| Principal                    |                                   | 43,249.86                 | 43,249.86                               | 26,266.37                 | 16,983.49                |
| Interest                     |                                   | 681.16                    | 681.16                                  | 91.94                     | 589.22                   |
| Total Other Expenses         | <u>712,095.88</u>                 | <u>546,692.90</u>         | <u>1,258,788.78</u>                     | <u>440,731.87</u>         | <u>818,056.91</u>        |
| Total Operations             | \$ <u>800,971.69</u>              | \$ <u>548,187.90</u>      | \$ <u>1,349,159.59</u>                  | \$ <u>447,044.06</u>      | \$ <u>902,115.53</u>     |
| Ref.                         | A                                 | A                         |   | A-4                       | A-1                      |

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

|                                  | <u>REF.</u> | <u>Total</u>        | <u>Prior Year</u>   |
|----------------------------------|-------------|---------------------|---------------------|
| Balance - December 31, 2016      | A           | \$ 20,765.55        | \$ 20,765.55        |
| Increased by:                    |             |                     |                     |
| Cash Receipts - Tax Overpayments | A-4         | 11,516.77           | 11,516.77           |
| Decreased by:                    |             |                     |                     |
| Applied to 2016 Taxes Receivable | A-7         | <u>11,715.18</u>    | <u>11,715.18</u>    |
| Balance - December 31, 2017      | A           | <u>\$ 20,567.14</u> | <u>\$ 20,567.14</u> |

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

| GRANT                                       | BALANCE       | 2017 BUDGET   | CHAPTER      | COLLECTED     | TRANSFERRED    | BALANCE       |
|---|---------------|---------------|--------------|---------------|----------------|---------------|
|   | DEC. 31, 2016 | REVENUE       | 159'S        | 2017          | FROM           | DEC. 31, 2017 |
|   | \$            | REALIZED      |              |               | UNAPPROPRIATED | CANCELLED     |
| Municipal Alliance Grant                    | 22,015.71     |               |              | 2,823.97      |                | \$ 19,191.74  |
| Municipal Alliance Grant 16                 | 6,146.86      |               |              | 6,146.86      |                | -             |
| Municipal Alliance Grant 17                 | -             | 11,029.36     |              |               |                | 11,029.36     |
| Alcohol Fed Rehab Grant                     | -             |               | 3,217.00     | 3,217.00      |                | -             |
| Body Armor Fund 16                          | -             | 3,066.36      |              |               | 3,066.36       | -             |
| Clean Communities Program                   | 345.01        |               | 22,877.85    | 22,877.85     |                | 345.01        |
| CDBG John Long Spray Ground Grant           |               | 63,295.00     |              |               |                | 63,295.00     |
| Hazardous Discharge Site Remediation        |               | 392,247.00    |              | 392,247.00    |                | -             |
| Highway Safety Safe Corridors               | 4,246.71      |               |              |               |                | 4,246.71      |
| Historic Grant County                       | 75,000.00     |               |              |               |                | 75,000.00     |
| Historical Preservation Grant               | 62,500.00     |               |              |               |                | 108,860.00    |
| HUD Main St. Revitalization                 | 0.60          |               |              |               |                | -             |
| Library ADA Compliant Grant                 | 22,295.00     |               |              |               |                | 22,295.00     |
| NDOT Centers of Place Program               | 21,533.24     |               |              |               |                | -             |
| NJ Safe Corridors Grant                     |               |               | 743.51       | 2,877.93      |                | -             |
| Recycling Tonnage Grant 17                  | -             | 2,134.42      |              | 14,419.51     |                | -             |
| Risk Control Grant 2017 - Panic Alarms      |               | 14,419.51     |              | 3,376.00      |                | -             |
| Society of Fire Prevention Grant            |               | 500.00        | 3,376.00     | 500.00        |                | -             |
| Somerville Flood Acquisition Project        | 454,325.00    |               |              |               |                | 454,325.00    |
| Sustainable Jersey                          | 5,000.00      |               |              |               |                | -             |
| Youth Service - Lunchtime Mentoring Program |               |               | 3,000.00     | 3,000.00      |                | -             |
| Youth Service - Various Programs            |               |               | 5,000.00     | 5,000.00      |                | -             |
|   | \$ 673,408.13 | \$ 533,051.65 | \$ 38,214.36 | \$ 461,486.12 | \$ 3,066.36    | \$ 25,780.55  |
|   | A             | A-17          | A-17         | A-17          | A-19           | A-18          |
|   |               |               |              |               |                | A             |

Ref.

GRANT FUND  
STATEMENT OF INTERFUNDS RECEIVABLE/PAYABLE

|                                  | Dec. 31, 2016        | Adjustments         | Dec. 31, 2017        |
|----------------------------------|----------------------|---------------------|----------------------|
| <b>Interfunds:</b>               |                      |                     |                      |
| Current Fund                     | \$ 295,477.94        | \$ 69,780.88        | \$ 365,258.82        |
| <b>Total</b>                     | <u>\$ 295,477.94</u> | <u>\$ 69,780.88</u> | <u>\$ 365,258.82</u> |
|                                  | <u>Ref.</u>          | A                   | A                    |
| Grants Revenue - Budget          | A-16                 | \$ (571,266.01)     |                      |
| Grants Appropriated - Budget     | A-18                 | 604,930.35          |                      |
| Grant Receivables - Received     | A-16                 | 461,486.12          |                      |
| Grants Appropriated - Expended   | A-18                 | (452,670.00)        |                      |
| Grants Unappropriated - Received | A-19                 | 31,630.54           |                      |
| Grant Receivables - Cancelled    | A-16                 | 25,780.55           |                      |
| Grants Appropriated - Cancelled  | A-18                 | <u>(30,110.67)</u>  |                      |
|                                  |                      | <u>\$ 69,780.88</u> |                      |

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

|   | BALANCE       |    | TRANSFERRED FROM 2017 BUDGET | CHAPTER 1595 | ENCUMBERED DEC. 31, 2016 | PAID OR CHARGED | ENCUMBERED DEC. 31, 2017 | CANCELLED    | BALANCE DEC. 31, 2017 |
|---|---------------|----|------------------------------|--------------|--------------------------|-----------------|--------------------------|--------------|-----------------------|
|   | DEC. 31, 2016 | \$ |                              |              |                          |                 |                          |              |                       |
| <u>GRANT/AID PROGRAM</u>  |               |    |                              |              |                          |                 |                          |              |                       |
| 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   | 6,421.25      | \$ |                              |              |                          |                 |                          |              | 6,421.25              |
| Municipal Alliance Grant 16   | 11,029.36     | \$ |                              |              |                          |                 |                          |              | 11,029.36             |
| Municipal Alliance Grant Match 16                                     | 2,757.34      | \$ |                              |              |                          |                 |                          |              | 2,757.34              |
| Municipal Alliance Grant 17   | 1,486.75      | \$ | 13,786.70                    | 3,217.00     |                          | 500.00          |                          |              | 11,296.78             |
| Alcohol Ed Rehab Grant  | 38.11         | \$ |                              |              |                          |                 | 38.11                    |              | 4,203.75              |
| Body Armor Replacement Fund 13  |               | \$ | 3,066.36                     |              | 3,924.95                 | 3,924.95        |                          | (1,989.07)   | 5,055.43              |
| Body Armor Replacement Fund 14  | 1,257.36      | \$ |                              |              |                          |                 |                          |              | 1,257.36              |
| Body Armor Replacement Fund 16  | 4,801.85      | \$ | 63,295.00                    |              |                          | 5,390.00        | 57,905.00                |              | 19,660.57             |
| Bulleproof Vest Program   | 26,928.97     | \$ |                              |              |                          | 4,801.85        |                          |              | 22,877.85             |
| CDBG John Long Park   |               | \$ |                              | 22,877.85    |                          | 7,368.40        |                          |              |                       |
| Clean Communities   |               | \$ |                              |              |                          |                 |                          |              |                       |
| Clean Communities 16  |               | \$ |                              |              |                          |                 |                          |              |                       |
| Clean Communities 2017  |               | \$ |                              |              |                          |                 |                          |              |                       |
| Clean Communities Program 13  | 1,347.20      | \$ |                              |              |                          |                 |                          | 1,347.20     |                       |
| DEP Hazardous Discharge Site Remediation Fund                         | 12.38         | \$ |                              |              |                          |                 |                          |              | 12.38                 |
| DOT Centers of Place Program  | 4,304.72      | \$ |                              |              |                          |                 | 4,304.72                 |              |                       |
| Drunk Driving Enforcement Fund  | 13,234.25     | \$ |                              |              |                          | 9,236.92        |                          | 472.47       | 3,514.86              |
| Emergency Responder Grant   | 1,006.97      | \$ |                              |              |                          |                 |                          |              | 1,006.97              |
| Federal Bulleproof Vest Program                                       |               | \$ |                              |              | 1,725.06                 |                 |                          |              | 1,725.06              |
| Hazardous Discharge Grant 2017  | 0.01          | \$ | 392,247.00                   | 743.51       |                          | 284,976.23      |                          |              | 107,270.77            |
| Highway Safety Grant  |               | \$ | 2,154.42                     |              |                          | 1,214.98        |                          |              | 1,662.96              |
| Historical Preservation Grant   |               | \$ | 77,267.00                    |              | 114,283.31               | 109,124.49      |                          |              | 4,500.00              |
| Historical Preservation Grant   |               | \$ |                              |              |                          |                 |                          |              | 77,267.00             |
| Library ADA Compliant Grant   | 5,711.89      | \$ |                              |              |                          |                 |                          |              | 5,711.89              |
| Municipal Youth Service Grant - Various                               |               | \$ |                              | 5,000.00     |                          |                 |                          |              | 5,000.00              |
| Municipal Youth Service Grant - Lunch Time Mentoring Program          |               | \$ |                              | 3,000.00     |                          |                 |                          |              | 3,000.00              |
| NJ DOT Transit Village  | 230,000.00    | \$ |                              |              |                          |                 |                          | 15,642.41    | 230,000.00            |
| Recycling Tonnage Grant 15  | 15,642.41     | \$ |                              |              |                          |                 |                          |              | 15,642.41             |
| Recycling Tonnage Grant 16  | 5,343.84      | \$ |                              |              |                          |                 |                          |              | 5,343.84              |
| Recycling Tonnage Grant 17  |               | \$ | 14,419.51                    |              |                          |                 | 398.73                   |              | 14,419.51             |
| Regional Center Challenge Grant 13                                    | 26,000.00     | \$ |                              |              |                          |                 |                          |              | 26,000.00             |
| Regional Center Challenge Grant 13                                    | 1,108.54      | \$ |                              |              |                          |                 |                          | 1,108.54     |                       |
| Regional Center Partnership Grant                                     | 7,413.79      | \$ |                              |              |                          |                 |                          | 7,413.79     |                       |
| Regional Center Partnership Grant-Res/Zone                            | 1,772.50      | \$ |                              |              |                          |                 |                          | 1,772.50     |                       |
| Society of Fire Prevention Fire Week                                  | 250.00        | \$ |                              |              |                          |                 |                          |              | 250.00                |
| Society of Fire Prevention Fire Week 2017                             |               | \$ | 500.00                       |              |                          |                 |                          |              | 500.00                |
| Somersville Flood Acquisition Project                                 |               | \$ |                              |              |                          |                 |                          |              |                       |
| Statewide Insurance Fund - 2017 Risk Control Grant Sustainable Jersey | 454,325.00    | \$ |                              | 3,376.00     | 10,000.00                | 3,376.00        |                          |              | 454,325.00            |
|   | \$ 833,651.39 | \$ | \$ 566,715.99                | \$ 38,214.36 | \$ 179,933.32            | \$ 452,670.00   | \$ 75,857.12             | \$ 30,110.67 | \$ 1,009,877.27       |

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS  
UNAPPROPRIATED  
GRANT FUND

| <u>GRANTS</u>                  | <u>BALANCE</u><br>DEC. 31, 2016 | <u>COLLECTED</u><br>2017 | <u>APPLIED</u><br>TO GRANTS<br><u>RECEIVABLE</u> | <u>BALANCE</u><br>DEC. 31, 2017 |
|--------------------------------|---------------------------------|--------------------------|--|---------------------------------|
| Body Armor Replacement Fund    | \$ 3,066.36                     | \$ 2,990.70              | \$ 3,066.36                                      | \$ 2,990.70                     |
| Somerville Landfill Green Seam | 2,235.00                        |                          |  | 2,235.00                        |
| Recycling Tonnage Grant        | -                               | 20,811.67                |  | 20,811.67                       |
| Drunk Driving Enforcement Fund |                                 | 7,828.17                 |  | 7,828.17                        |
|                                | <u>\$ 5,301.36</u>              | <u>\$ 31,630.54</u>      | <u>\$ 3,066.36</u>                               | <u>\$ 33,865.54</u>             |

Ref.

A

A-17

A-16

A

**Trust Fund**

TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

|                                       | Balance<br><u>12/31/16</u> | Cash                                 | Balance<br><u>12/31/17</u> |
|---------------------------------------|----------------------------|--------------------------------------|----------------------------|
|                                       |                            | <u>Receipts</u> <u>Disbursements</u> |                            |
|                                       |                            | <u>Adjustments</u>                   |                            |
| <b>Assessment Trust Fund:</b>         |                            |                                      |                            |
| Assessments Receivable                | \$ (4,907.84)              | \$                                   | \$ (4,907.84)              |
| 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                   |
| Fund Balance                          | 10,467.52                  |                                      | 10,467.52                  |
| <b>Total</b>                          | <b>(0.00)</b>              | <b>164,336.32</b>                    | <b>(153,868.80)</b>        |
| <b>Animal Control:</b>                |                            |                                      |                            |
| Due Current Fund                      | 7,009.60                   |                                      | 7,411.20                   |
| Due NJ - State License Fees           | 10.80                      | 687.60                               | (687.60)                   |
| Animal Control Reserves               | 11,793.20                  | 8,141.40                             | (606.00)                   |
| <b>Total</b>                          | <b>18,813.60</b>           | <b>8,829.00</b>                      | <b>(1,293.60)</b>          |
| <b>Trust - Other Funds:</b>           |                            |                                      |                            |
| Accounts Receivable - HUD             | (8,327.00)                 | 6,459.00                             | (6,393.00)                 |
| CDBG Receivable                       | (44,385.89)                |                                      | (44,385.89)                |
| <b>Interfunds Receivable:</b>         |                            |                                      |                            |
| Due from General Capital Fund         | (300,000.00)               | 300,000.00                           | -                          |
| Due from Current Fund                 | (241,470.10)               | 11,959.68                            | (229,510.42)               |
| <b>Subtotal Interfunds Receivable</b> | <b>(594,182.99)</b>        | <b>318,418.68</b>                    | <b>(6,393.00)</b>          |
| <b>Interfunds Payable:</b>            |                            |                                      |                            |
| Due to Public Assistance Fund         | 25,533.60                  |                                      | 25,533.60                  |
| Due to Current Fund                   | 14,000.00                  |                                      | 14,000.00                  |
| Due to Current Fund Builders Escrow   | 1,250.87                   |                                      | (1,250.87)                 |
| <b>Subtotal Interfunds Payable</b>    | <b>40,784.47</b>           | <b>(1,250.87)</b>                    | <b>39,533.60</b>           |
| <b>Reserve for:</b>                   |                            |                                      |                            |
| Miscellaneous Deposits                | 1,780,063.72               | 1,446,417.68                         | (1,387,525.06)             |
| Payroll Agency                        | 256,101.96                 | 1,132,673.44                         | (1,235,142.01)             |
| CDBG Expenditures                     | 44,385.89                  |                                      | 44,385.89                  |
| District Management Corp.             | 312,866.08                 | 549,254.80                           | (495,279.19)               |
| SUI Fund                              | 42,213.25                  | 11,642.74                            | (2,049.72)                 |
| Sanitary Landfill Closure             | 10,369.73                  | 23.64                                | 10,393.37                  |
| Builders Escrow                       | 69,680.47                  | 245,127.14                           | (222,366.68)               |
| Tax Redemption Trust                  | 729,500.00                 | 809,576.31                           | (414,076.31)               |
| Recreation Trust                      | 74,878.52                  | 32,135.23                            | (38,519.07)                |
| Housing Assistance Program            | 54,195.22                  | 2,146,777.49                         | (2,202,473.92)             |
| Housing Assistance Portables          | 24,033.06                  | 89,378.13                            | (83,133.00)                |
| Law Enforcement Trust                 | 30,244.25                  | 9,147.54                             | 39,391.79                  |
| Credit Card Fee Accounts              | 1,412.77                   | 34,347.40                            | (31,295.20)                |
| Encumbrances                          | 12,554.31                  | (12,554.31)                          | 4,079.50                   |
| <b>Total</b>                          | <b>2,889,100.71</b>        | <b>6,812,365.91</b>                  | <b>(6,109,031.53)</b>      |
| <b>Total</b>                          | <b>\$ 2,907,914.31</b>     | <b>\$ 6,985,531.23</b>               | <b>\$ (6,264,193.93)</b>   |



SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES  
ANIMAL CONTROL FUND

Municipal License Fees Collected:

| <u>Year</u> | <u>Amount</u>             |
|-------------|---------------------------|
| 2015        | \$5,251.20                |
| 2016        | <u>6,666.20</u>           |
|             | <u><u>\$11,917.40</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<br>12/31/16 | 12/31/16<br>Encumbered | Receipts   | Cash<br>Disbursements | 12/31/17<br>Encumbered | Balance<br>12/31/17 |
|---|---------------------|------------------------|------------|-----------------------|------------------------|---------------------|
| Maintenance Reserve                       | \$ 14,742.61        |                        |            | \$ (8,253.95)         |                        | \$ 6,488.66         |
| Performance Deposits                      | 596,818.16          |                        | 352,671.41 | (277,849.16)          |                        | 671,640.41          |
| Planning Board Escrow                     | 39,035.84           |                        | 196,114.64 | (192,835.91)          |                        | 42,314.57           |
| Engineering Escrow                        | 58,861.43           |                        | 87,561.90  | (40,844.36)           |                        | 105,578.97          |
| POAA                                      | 6,798.81            |                        | 2,624.00   |                       |                        | 9,422.81            |
| Youth Services Program                    | 7,704.43            |                        | 154.92     | (7,254.45)            |                        | 604.90              |
| Street Openings                           | 54,373.36           |                        |            |                       |                        | 54,373.36           |
| Fire Safety                               | 12,825.44           | 1,014.33               | 5,500.00   | (8,302.74)            | (1,562.50)             | 9,474.53            |
| UFC Penalties - Fire Dept.                | 4,250.00            |                        | 5,500.00   | (2,017.00)            |                        | 7,733.00            |
| Public Defenders Fees                     | 2,490.96            |                        | 5,826.00   | (7,050.00)            |                        | 1,266.96            |
| Sewer Escrow                              | 7,083.13            |                        |            |                       |                        | 7,083.13            |
| Demolition Project                        | 12,190.94           |                        |            |                       |                        | 12,190.94           |
| Reserve for Retirement                    | 796,900.00          |                        | 60,000.00  | (132,806.81)          |                        | 724,093.19          |
| Community Day                             | 52.46               |                        |            |                       |                        | 52.46               |
| Police Community Policing                 | 12,060.45           |                        |            | (6,673.27)            |                        | 5,387.18            |
| Snow Removal                              | 20,738.30           |                        | 13,000.00  | (18,687.38)           | (500.00)               | 14,550.92           |
| Donations - Fire Museum                   | 1,425.15            |                        | 1,769.07   |                       |                        | 3,194.22            |
| Hurricane Sandy Donations                 | 500.00              |                        |            |                       |                        | 500.00              |
| Police O/T                                | 12,922.46           | 11,539.98              | 627,882.43 | (620,832.63)          |                        | 31,512.24           |
| Road Opening Inspections                  | 3,615.91            |                        | 58,084.00  | (53,305.00)           |                        | 8,394.91            |
| CDBG Library                              | 22,295.00           |                        |            |                       |                        | 22,295.00           |
| Cable TV                                  | 44,223.68           |                        | 16,500.00  | (8,424.90)            |                        | 52,298.78           |
| Environmental Commission                  | 8,423.32            |                        | 500.00     |                       |                        | 8,923.32            |
| Developer Escrow - Desapio Infrastructure | 33,938.00           |                        |            |                       |                        | 33,938.00           |
| Wedding Donations                         | 875.00              |                        | 175.00     | (325.00)              |                        | 725.00              |
| Jersey Strong Inspection                  | 4,918.88            |                        |            |                       |                        | 4,918.88            |

Total \$ 1,780,063.72 \$ 12,554.31 \$ 1,433,863.37 \$ (1,383,445.56) \$ (4,079.50) \$ 1,838,956.34

Ref. B B B B B B

**General Capital Fund**

SCHEDULE OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS - TREASURER

|                                     | <u>REF.</u> |                      |
|-------------------------------------|-------------|----------------------|
| Balance - December 31, 2016         | C           | \$ 540,940.57        |
| Increased by Receipts:              |             |                      |
| Premium on Sale of Bonds            | C- 1        | 3,310.00             |
| Capital Improvement Fund            | C- 4        | 88,238.00            |
| Grants, Loans and Other Receivables | C- 7        | 6,309,347.68         |
| Bond Anticipation Notes             | C- 9        | 1,000,000.00         |
| Interfunds Received                 | C-11        | 211,920.63           |
| ERG Payment of Debt Service         | C-13        | 511,978.73           |
| Payment of Debt Service             | C-14        | <u>10,000.00</u>     |
|                                     |             | <u>8,134,795.04</u>  |
|                                     |             | 8,675,735.61         |
| Decreased by Disbursements:         |             |                      |
| Improvement Authorizations          | C- 8        | 7,155,910.93         |
| Interfunds Disbursed                | C-11        | 300,000.00           |
| ERG Payment of Debt Service         | C-13        | <u>375,000.00</u>    |
|                                     |             | <u>7,830,910.93</u>  |
| Balance - December 31, 2017         | C,C-3       | <u>\$ 844,824.68</u> |

ANALYSIS OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS

|  | BALANCE<br>DEC. 31,<br><u>2016</u> | BALANCE<br>DEC. 31,<br><u>2017</u> |
|--|------------------------------------|------------------------------------|
| Fund Balance                                     | \$ 230,203.07                      | \$ 233,513.07                      |
| Capital Improvement Fund                         | 17,031.83                          | 23,981.83                          |
| Reserve for Payment of Future Debt Service - ERG | 568,150.67                         | 705,129.40                         |
| Reserve for Payment of Future Debt Service       | 29,890.00                          | 503,264.48                         |
| Reserve for Encumbrances Payable                 | 914,678.60                         | 353,551.80                         |
| N.J. D.O.T. Grants Receivable/Reserve            | (15,146,511.57)                    | (8,230,288.89)                     |
| Due from SCIA                                    | (3,303.34)                         | (3,303.34)                         |
| Interfunds Receivable                            | (211,920.63)                       | -                                  |
| Interfunds Payable                               | 300,000.00                         | -                                  |

Improvement Authorizations:

| <u>ORD. NO.</u> | <u>IMPROVEMENT DESCRIPTION</u>          |                      |                      |
|-----------------|---|----------------------|----------------------|
| 2189            | Various Improvements                    | 255.38               |                      |
| 2217            | Various Improvements                    | 1,575.56             |                      |
| 2227            | Various Improvements                    | 16,207.15            | 16,207.15            |
| 2272            | Various Improvements                    | 2,356.46             |                      |
| 2306            | Various Improvements                    | 109.48               |                      |
| 2332            | Various Improvements                    | 28,257.28            | 28,257.28            |
| 2339            | Capital Grant Saker Shoprite            | 200,798.99           |                      |
| 2355            | Site Remediation at Landfill            | 2,794.29             |                      |
| 2361            | Various Improvements                    | 2,242.65             |                      |
| 2377            | Various Improvements                    | 1,821.00             |                      |
| 2412            | Various Improvements General Capital    | 14,369.26            | 16,552.18            |
| 2420            | Various Improvements                    | 108,864.98           | 105,523.73           |
| 2421            | Various Redevelopment Projects          | 87.50                |                      |
| 2427            | Various Redevelopment Projects          | 142.54               |                      |
| 2441            | Various Improvements                    | 128,325.95           | 134,331.53           |
| 2446            | Preliminary Expenditures Parking Garage | 249,750.72           |                      |
| 2454            | Various Redevelopment Projects          | 138.77               |                      |
| 2468            | Various Redevelopment Projects          | 7,388.99             | 7,388.99             |
| 2470            | Various Improvements                    | 53,984.08            | 85,020.74            |
| 2482            | Site Remediation at Landfill            | 12,503,796.70        | 7,163,484.72         |
| 2484            | Parking Lot Project - SCIA              | 830,000.00           |                      |
| 2495            | Redevelopment                           | (53,335.32)          | 9,409.60             |
| 2497            | Various Improvements                    | (311,437.90)         | (50,538.41)          |
| 2499            | Sidewalk Assessment                     | (20,536.14)          | (30,008.09)          |
| 2505            | Purchase of a Fire Truck - SCIA         | 74,763.57            | 72,426.72            |
| 2518            | Various Improvements                    |                      | (493,496.33)         |
| 2525/2526       | Sidewalk Assessment                     |                      | 194,416.52           |
|                 |   | <u>\$ 540,940.57</u> | <u>\$ 844,824.68</u> |

SCHEDULE OF CAPITAL IMPROVEMENT FUND

|                                   | <u>REF.</u> |                  |                     |
|-----------------------------------|-------------|------------------|---------------------|
| Balance - December 31, 2016       | C           |                  | \$ 17,031.83        |
| Increased by:                     |             |                  |                     |
| 2017 Budget Appropriation         | C- 2        | 75,000.00        |                     |
| Cash Receipts                     | C- 2        | <u>13,238.00</u> |                     |
|                                   |             |                  | <u>88,238.00</u>    |
|                                   |             |                  | 105,269.83          |
| Decreased by:                     |             |                  |                     |
| Improvement Authorizations Funded | C- 8        |                  | <u>81,288.00</u>    |
| Balance - December 31, 2017       | C           |                  | <u>\$ 23,981.83</u> |

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

|                             | <u>REF.</u> |                     |                         |
|-----------------------------|-------------|---------------------|-------------------------|
| Balance - December 31, 2016 | C           |                     | \$ 24,254,169.39        |
| Decreased by:               |             |                     |                         |
| Serial Bonds Payable        | C-10        | 2,210,000.00        |                         |
| SCIA Leases Payable         | C-15        | <u>1,114,947.79</u> |                         |
|                             |             |                     | <u>3,324,947.79</u>     |
| Balance - December 31, 2017 | C           |                     | <u>\$ 20,929,221.60</u> |

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

| ORD. NO. | IMPROVEMENT DESCRIPTION        | BALANCE DEC. 31, 2016  | 2017 AUTHORIZATIONS    | CANCELLED            | BALANCE DEC. 31, 2017  | BOND ANTICIPATION NOTES | EXPENDITURES         | UNEXPENDED BALANCE OF IMPROV. UTIL. |
|----------|--------------------------------|------------------------|------------------------|----------------------|------------------------|-------------------------|----------------------|-------------------------------------|
|          |                                | \$                     | \$                     | \$                   | \$                     | \$                      | \$                   | \$                                  |
|          | <u>General Improvements</u>    |                        |                        |                      |                        |                         |                      |                                     |
| 2339     | Capital Grant Saker Shoprite   | 410,000.00             | -                      | 410,000.00           | 355,466.83             | 290,000.00              | -                    | 65,466.83                           |
| 2470     | Various Improvements           | 355,466.83             |                        |                      | 95,000.00              | 95,000.00               |                      |                                     |
| 2495     | Various Redevelopment Projects | 95,000.00              |                        |                      | 600,110.00             | 495,000.00              | 50,538.41            | 54,571.59                           |
| 2497     | Various Improvements           | 600,110.00             |                        |                      | 33,250.00              |                         | 30,008.09            | 3,241.91                            |
| 2499     | Sidewalk Improvement           | 33,250.00              | 1,292,950.00           |                      | 1,292,950.00           | 120,000.00              | 493,496.33           | 679,453.67                          |
| 2518     | Various Improvements           |                        | 251,517.00             |                      | 251,517.00             |                         |                      | 251,517.00                          |
| 2525     | Sidewalk Improvement           |                        |                        |                      |                        |                         |                      |                                     |
|          |                                | <u>\$ 1,493,826.83</u> | <u>\$ 1,544,467.00</u> | <u>\$ 410,000.00</u> | <u>\$ 2,628,293.83</u> | <u>\$ 1,000,000.00</u>  | <u>\$ 574,042.83</u> | <u>\$ 1,054,251.00</u>              |

Ref

C

C-8

C-8

C

Unexpended Balances of Unfunded Improv. Authors.  
Less: Unexpended Proceeds of Bond Anticipation Notes

\$ 1,148,681.34

94,430.34

\$ 1,054,251.00

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

|  | Ordinance<br>Number | Balance              |               | Decreases       | Balance<br>December 31,<br>2017 |
|--|---------------------|----------------------|---------------|-----------------|---------------------------------|
|  |                     | December 31,<br>2016 | Increases     |                 |                                 |
| 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                       |
| New Jersey DOT   | 2355                | 8,979.25             |               |                 | 8,979.25                        |
| NJ Economic Development Authority                          | 2361                | 250,000.00           |               |                 | 250,000.00                      |
| New Jersey DOT   | 2361                | 16,309.21            |               |                 | 16,309.21                       |
| Community Development Block Grant                          | 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                | 347,500.00           |               | 148,317.94      | 199,182.06                      |
| New Jersey DOT   | 2482                | 9,591,773.13         |               | 4,130,602.31    | 5,461,170.82                    |
| NJ Economic Development Authority - Hazardous Discharge    | 2482                | 2,771,712.00         |               | 1,090,936.00    | 1,680,776.00                    |
| New Jersey Environmental Infrastructure Trust (NJEIT)      | 2484                | 830,000.00           |               | 830,000.00      | -                               |
| Somerset County Improvement Authority (SCIA) - Parking Lot | 2505                | 800,000.00           |               | 727,521.68      | 72,478.32                       |
| Somerset County Improvement Authority (SCIA) - Fire Truck  | 2526                |                      | 223,125.00    | 211,969.75      | 11,155.25                       |
| NJ Dept of Community Affairs, Office of Main Street NJ     |                     |                      |               |                 |                                 |
|  |                     | \$ 15,146,511.57     | \$ 223,125.00 | \$ 7,139,347.68 | \$ 8,230,288.89                 |

Ref.

C

C-8

C-2

C



**SCHEDULE E OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND**

| ORD. NO.  | IMPROVEMENT DESCRIPTION                        | ORDINANCE DATE | BALANCE - DEC. 31, 2016 |                 | 2017 AUTHORIZATIONS | 2017 ENCUMBRANCES | PAID OR CHARGED | 2017 ENCUMBRANCES | PAID OR CHARGED | AUTH CANCELED   | BALANCE - DEC. 31, 2017 |            |
|-----------|--|----------------|-------------------------|-----------------|---------------------|-------------------|-----------------|-------------------|-----------------|-----------------|-------------------------|------------|
|           |  |                | 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            | 16,207.15       |                     |                   |                 |                   |                 |                 | 16,207.15               |            |
| 2272      | Various Improvements                           | 06/02/08       | 1,222,500.00            | 2,356.46        |                     |                   |                 |                   |                 | 316.35          |                         |            |
| 2306      | Various Improvements                           | 06/15/09       | 975,000.00              | 109.48          |                     |                   | 10,883.92       |                   | 109.48          |                 |                         |            |
| 2332      | Various Improvements                           | 06/21/10       | 485,000.00              | 28,257.28       |                     |                   |                 |                   |                 |                 | 28,257.28               |            |
| 2339      | Capital Grant Saker Shoprite                   | 11/22/10       | 6,000,000.00            | 410,000.00      |                     |                   |                 |                   | 610,798.99      |                 |                         |            |
| 2355      | Site Remediation at Landfill                   | 05/16/11       | 1,193,833.00            | 2,794.29        |                     |                   |                 |                   | 2,794.29        |                 |                         |            |
| 2361      | Various Improvements                           | 06/08/11       | 1,125,000.00            | 2,242.65        |                     |                   |                 |                   | 2,242.65        |                 |                         |            |
| 2377      | Various Improvements                           | 02/21/12       | 1,225,000.00            | 1,821.00        |                     |                   |                 | 8,000.00          |                 |                 | 16,552.18               |            |
| 2412      | Various Improvements                           | 03/18/13       | 545,000.00              | 14,369.26       |                     |                   |                 |                   |                 |                 | 103,523.73              |            |
| 2420      | Various Improvements                           | 08/19/13       | 445,000.00              | 108,864.98      |                     |                   | 4,955.50        |                   | 3,341.25        |                 |                         |            |
| 2421      | Various Redevelopment Projects                 | 08/19/13       | 100,000.00              | 87.50           |                     |                   |                 |                   | 87.50           |                 |                         |            |
| 2427      | Various Redevelopment Projects                 | 03/03/14       | 120,000.00              | 142.54          |                     |                   |                 |                   | 142.54          |                 |                         |            |
| 2441      | Various Improvements                           | 05/19/14       | 936,000.00              | 128,325.95      |                     |                   |                 |                   |                 |                 |                         |            |
| 2446      | Preliminary Expenditures Parking Garage        | 06/16/14       | 300,000.00              | 249,750.72      |                     |                   | 27,026.15       | 20,963.53         | 249,750.72      |                 |                         | 134,331.53 |
| 2454      | Various Redevelopment Projects                 | 10/20/14       | 120,000.00              | 138.77          |                     |                   |                 |                   | 138.77          |                 |                         |            |
| 2468      | Various Redevelopment Projects                 | 05/04/15       | 200,000.00              | 7,388.99        |                     |                   |                 | 4,500.00          |                 |                 |                         | 7,388.99   |
| 2470      | Various Improvements                           | 06/15/15       | 886,530.00              | 53,984.08       |                     |                   |                 |                   |                 |                 |                         |            |
| 2482      | Site Remediation at Landfill                   | 12/07/15       | 16,229,114.00           | 12,503,796.70   |                     |                   |                 |                   | 830,000.00      |                 |                         | 130,487.57 |
| 2484      | Parking Lot Project - SC1A                     | 01/04/16       | 830,000.00              | 830,000.00      |                     |                   |                 |                   |                 |                 |                         |            |
| 2495      | Various Redevelopment Projects                 | 03/21/16       | 100,000.00              | 41,664.68       |                     |                   |                 |                   | 44.80           |                 |                         | 9,409.60   |
| 2497      | Various Improvements                           | 03/21/16       | 631,695.00              | 288,672.10      |                     |                   |                 |                   | 237,911.17      |                 |                         | 54,571.59  |
| 2499      | Sidewalk Assessment                            | 04/18/16       | 35,000.00               | 12,713.86       |                     |                   |                 |                   | 9,471.95        |                 |                         | 3,241.91   |
| 2505      | Purchase of a Fire Truck - SC1A                | 09/19/16       | 800,000.00              | 74,763.57       |                     |                   |                 |                   | 479,130.33      |                 |                         | 72,426.72  |
| 2518      | Various Improvements                           |                | 1,361,000.00            | 1,361,000.00    |                     |                   |                 |                   |                 |                 |                         | 679,433.67 |
| 2525-2526 | Sidewalk Assessment                            |                | 487,880.00              | 487,880.00      |                     |                   |                 |                   | 11,006.48       |                 |                         | 194,416.52 |
|           |  |                | \$ 14,228,031.30        | \$ 1,108,517.47 | \$ 1,848,880.00     | \$ 914,678.60     | \$ 7,155,910.93 | \$ 353,551.80     | \$ 1,703,374.48 | \$ 7,738,588.82 | \$ 1,148,681.34         |            |
|           |  |                | C                       | C               | C                   | C                 | C-2             | C                 | C               | C               | C                       | C          |
|           | Capital Improvement Fund                       |                |                         |                 | \$ 81,288.00        |                   |                 |                   | \$ 410,000.00   |                 |                         |            |
|           | Deferred Charges to Future Taxation - Unfunded |                |                         |                 | 1,544,467.00        |                   |                 |                   | 830,000.00      |                 |                         |            |
|           | Grants/SC1A Loans Receivable                   |                |                         |                 | 223,125.00          |                   |                 |                   | 463,374.48      |                 |                         |            |
|           | Reserve for Future Debt Service                |                |                         |                 |                     |                   |                 |                   | \$ 1,703,374.48 |                 |                         |            |

SCHEDULE OF BOND ANTICIPATION NOTES

| <u>ORD. NO.</u> | <u>IMPROVEMENT DESCRIPTION</u> | <u>ORIGINAL DATE OF ISSUE</u> | <u>DATE OF ISSUE</u> | <u>DATE OF MATURITY</u> | <u>INTEREST RATE</u> | <u>BALANCE DEC. 31, 2016</u> | <u>INCREASED</u> | <u>BALANCE DEC. 31, 2017</u> |  |
|-----------------|--------------------------------|-------------------------------|----------------------|-------------------------|----------------------|------------------------------|------------------|------------------------------|--|
| 2470            | Various Improvements           | 11/09/17                      | 11/09/17             | 11/08/18                | 2.00%                |                              | \$ 290,000.00    | \$ 290,000.00                |  |
| 2495            | Various Redevelopment Projects | 11/09/17                      | 11/09/17             | 11/08/18                | 2.00%                |                              | 95,000.00        | 95,000.00                    |  |
| 2497            | Various Improvements           | 11/09/17                      | 11/09/17             | 11/08/18                | 2.00%                |                              | 495,000.00       | 495,000.00                   |  |
| 2518            | Various improvements           | 11/09/17                      | 11/09/17             | 11/08/18                | 2.00%                |                              | 120,000.00       | 120,000.00                   |  |
|                 |                                |                               |                      |                         |                      |                              |                  |                              |  |
|                 |                                |                               |                      |                         |                      | \$ -                         | \$1,000,000.00   | \$1,000,000.00               |  |

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       | DECREASED     | BALANCE         |
|---|---------------|-----------------|---------------|--------------------------|---------------|---------------|---------------|-----------------|
|   |               |                 |               |                          |               | DEC. 31, 2016 |               | DEC. 31, 2017   |
| County Guaranteed Governmental Loan Revenue Bonds Series 2009B          | 10/01/09      | \$ 3,360,000.00 | 3.000%        | 10/01/18-19              | \$ 265,000.00 | \$            | \$ 265,000.00 | \$ 1,780,000.00 |
|   |               |                 | 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    | 5.000%        | 10/01/18-20              | 285,000.00    |               | 285,000.00    | 1,920,000.00    |
|   |               |                 | 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%        | 09/15/18                 | 385,000.00    |               | 375,000.00    | 3,780,000.00    |
|   |               |                 | 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    | 4.000%        | 03/15/18                 | 685,000.00    |               | 680,000.00    | 685,000.00      |

SCHEDULE OF GENERAL SERIAL BONDS

| <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, 2016</u> | <u>DECREASED</u> | <u>BALANCE DEC. 31, 2017</u> |
|---|----------------------|------------------------|----------------------|---------------------------------|-------------------------|------------------------------|------------------|------------------------------|
| County Guaranteed Governmental Loan<br>Revenue Refunding Bonds Series 2014B | 08/01/14             | 1,465,000.00           | 4.000%               | 08/01/18                        | 300,000.00              | 1,445,000.00                 | 305,000.00       | 1,140,000.00                 |
|   |                      |                        | 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           | 1.250%               | 02/15/18                        | 325,000.00              | 6,770,000.00                 | 300,000.00       | 6,470,000.00                 |
|   |                      |                        | 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                      |                         |                              |                  |                              |
|   |                      |                        |                      |                                 | <u>\$ 17,985,000.00</u> | <u>\$ 2,210,000.00</u>       |                  | <u>\$ 15,775,000.00</u>      |

Ref

C

C-5

C

SCHEDULE OF INTERFUNDS  
GENERAL CAPITAL FUND

| REF.          | TOTAL             | CURRENT FUND     | ASSESSMENT TRUST FUND | TRUST OTHER FUND |
|---------------|-------------------|------------------|-----------------------|------------------|
| C             | \$ 211,920.63     | \$ 58,051.83     | \$ 153,868.80         |                  |
| C             | (300,000.00)      |                  |                       | \$ (300,000.00)  |
| Increased by: |                   |                  |                       |                  |
| C-2           | -                 |                  |                       |                  |
| C-2           | 300,000.00        |                  |                       | 300,000.00       |
|               | <u>211,920.63</u> | <u>58,051.83</u> | <u>153,868.80</u>     | <u>-</u>         |
| Decreased by: |                   |                  |                       |                  |
| C-2           | 211,920.63        | 58,051.83        | 153,868.80            |                  |
| C-2           | -                 |                  |                       |                  |
|               | <u>211,920.63</u> | <u>58,051.83</u> | <u>153,868.80</u>     | <u>-</u>         |
| C             | -                 |                  |                       | \$ -             |
| C             | -                 | \$ -             | \$ -                  | -                |

Exhibit - C-12

SCHEDULE OF DUE FROM SOMERSET COUNTY  
IMPROVEMENT AUTHORITY

|                             | <u>REF.</u> |                    |
|-----------------------------|-------------|--------------------|
| Balance - December 31, 2016 | C           | \$ 3,303.34        |
| Balance - December 31, 2017 | C           | <u>\$ 3,303.34</u> |

Exhibit - C-13

SCHEDULE OF ERG RESERVE FOR PAYMENT OF  
FUTURE DEBT SERVICE

|                                  | <u>REF.</u> |                      |
|----------------------------------|-------------|----------------------|
| Balance - December 31, 2016      | C           | \$ 568,150.67        |
| Increased by:                    |             |                      |
| Cash Receipts                    | C-2         | <u>511,978.73</u>    |
|                                  |             | 1,080,129.40         |
| Decreased by:                    |             |                      |
| 2017 Current Fund Budget Revenue | C-2         | <u>375,000.00</u>    |
| Balance - December 31, 2017      | C           | <u>\$ 705,129.40</u> |

Exhibit - C-14

SCHEDULE OF RESERVE FOR PAYMENT OF  
FUTURE DEBT SERVICE

|                                      | <u>REF.</u> |                      |
|--------------------------------------|-------------|----------------------|
| Balance - December 31, 2016          | C           | \$ 29,890.00         |
| Increased by:                        |             |                      |
| Cash Receipts                        | C-2         | 10,000.00            |
| Improvement Authorizations Cancelled | C-8         | <u>463,374.48</u>    |
|                                      |             | <u>473,374.48</u>    |
| Balance - December 31, 2017          | C           | <u>\$ 503,264.48</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, 2016</u> | <u>DECREASED</u> | <u>BALANCE DEC. 31, 2017</u> |
|--|----------------------|------------------------|----------------------|---------------------------------|---------------|------------------------------|------------------|------------------------------|
|  |                      |                        |                      |                                 |               |                              |                  |                              |
| SCIA Lease Payable                       | 2008                 | \$ 555,500.00          | 3.82%                | 01/01/18                        | \$ 32,326.35  | \$ 128,116.62                | \$ 62,846.48     | \$ 65,270.14                 |
|  |                      |                        | 3.82%                | 07/01/18                        | 32,943.79     |                              |                  |                              |
| SCIA Lease Payable                       | 2012                 | 205,000.00             |                      |                                 |               | 64,538.90                    | 64,538.90        | -                            |
| SCIA Lease Payable                       | 2014                 | 296,083.52             | 2.10%                | 05/15/18                        | 37,496.89     | 265,763.84                   | 74,300.70        | 191,463.14                   |
|  |                      |                        | 2.10%                | 11/15/18                        | 37,890.60     |                              |                  |                              |
|  |                      |                        | 2.10%                | 05/15/19                        | 38,288.46     |                              |                  |                              |
|  |                      |                        | 2.10%                | 11/15/19                        | 38,690.48     |                              |                  |                              |
|  |                      |                        | 2.10%                | 05/15/20                        | 39,096.71     |                              |                  |                              |
| SCIA Lease Payable                       | 2015                 | 229,526.03             | 2.10%                | 05/15/18                        | 28,236.65     | 229,526.03                   | 55,596.13        | 173,929.90                   |
|  |                      |                        | 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             | 0.91%                | 04/01/18                        | 25,000.00     | 830,000.00                   | 830,000.00       |                              |
|  |                      |                        | 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     |                              |                  |                              |
|  |                      |                        | 2.43%                | 04/01/36                        | 65,000.00     |                              |                  |                              |

SCHEDULE OF SCIA LEASE PAYABLE

| DESCRIPTION                     | DATE OF ISSUE | AMOUNT OF ISSUE | INTEREST RATE | MATURITIES OF LOANS DATE | AMOUNT       | BALANCE                | BALANCE                |
|---------------------------------|---------------|-----------------|---------------|--------------------------|--------------|------------------------|------------------------|
|                                 |               |                 |               |                          |              | DEC. 31, 2016          | DEC. 31, 2017          |
| SCIA Lease Payable - Fire Truck | 2016          | \$ 808,000.00   | 2.25%         | 03/01/18                 | \$ 37,066.82 | \$ 808,000.00          | \$ 27,665.58           |
|                                 |               |                 | 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    |                        |                        |
|                                 |               |                 |               |                          |              | <u>\$ 2,325,945.39</u> | <u>\$ 1,114,947.79</u> |
|                                 |               |                 |               |                          |              |                        | <u>\$ 1,210,997.60</u> |

Ref.

C-5

C

C



SCHEDULE OF LOANS PAYABLE  
NJ ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN PAYABLE

|                             | Ref. |                        |
|-----------------------------|------|------------------------|
| Balance - December 31, 2016 | C    | \$ 3,943,224.00        |
| Balance - December 31, 2017 | C    | <u>\$ 3,943,224.00</u> |

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

| ORD.<br>NO. | <u>IMPROVEMENT DESCRIPTION</u> | BALANCE<br>DEC. 31,<br>2016 | 2017<br>AUTHORI-<br>ZATIONS | 2017<br>BANS<br>ISSUED | IMPROVEMENT<br>AUTHORIZATIONS<br>CANCELLED | BALANCE<br>DEC. 31,<br>2017 |
|-------------|--------------------------------|-----------------------------|-----------------------------|------------------------|--|-----------------------------|
|             | <u>General Improvements</u>    |                             |                             |                        |  |                             |
| 2339        | Capital Grant Saker Shoprite   | \$ 410,000.00               | \$                          |                        | 410,000.00                                 | \$ -                        |
| 2470        | Various Improvements           | 355,466.83                  |                             | 290,000.00             |  | 65,466.83                   |
| 2495        | Various Redevelopment Projects | 95,000.00                   |                             | 95,000.00              |  | -                           |
| 2497        | Various Improvements           | 600,110.00                  |                             | 495,000.00             |  | 105,110.00                  |
| 2499        | Sidewalk Assessment            | 33,250.00                   |                             |                        |  | 33,250.00                   |
| 2518        | Various Improvements           |                             | 1,292,950.00                | 120,000.00             |  | 1,172,950.00                |
| 2525        | Sidewalk Assessment            |                             | 251,517.00                  |                        |  | 251,517.00                  |
|             |                                | <u>\$ 1,493,826.83</u>      | <u>\$ 1,544,467.00</u>      | <u>\$ 1,000,000.00</u> | <u>\$ 410,000.00</u>                       | <u>\$ 1,628,293.83</u>      |

Ref.

C

**Sewer Utility Fund**

SCHEDULE OF SEWER UTILITY CASH AND INVESTMENTS - TREASURER

|                               | <u>REF.</u> | <u>OPERATING FUND</u>       |
|-------------------------------|-------------|-----------------------------|
| Balance - December 31, 2016   | D           | \$ 192,409.61               |
| Increased by Receipts:        |             |                             |
| Miscellaneous Revenue         | D-3         | 140,970.71                  |
| Consumer Accounts Receivable  | D-8         | 2,598,209.22                |
| Sewer Overpayments            | D-9         | 5,834.78                    |
| Prepaid Sewer Charges         | D-10        | 6,619.27                    |
| Interfunds Receivable/Payable | D-14        | <u>50,000.00</u>            |
|                               |             | <u>2,801,633.98</u>         |
|                               |             | 2,994,043.59                |
| Decreased by Disbursements:   |             |                             |
| 2017 Budget Appropriations    | D- 4        | 2,126,543.60                |
| Overpayment Refunds           | D- 9        | 1,778.25                    |
| Interfunds Receivable/Payable | D-14        | 593.80                      |
| 2016 Appropriation Reserves   | D-12        | <u>13,528.77</u>            |
|                               |             | <u>2,142,444.42</u>         |
| Balance - December 31, 2017   | D           | <u><u>\$ 851,599.17</u></u> |

SCHEDULE OF SEWER UTILITY CHANGE FUND

|                             | <u>REF.</u> |                        |
|-----------------------------|-------------|------------------------|
| Balance - December 31, 2016 | D           | \$ 50.00               |
| Balance - December 31, 2017 | D           | <u><u>\$ 50.00</u></u> |

ANALYSIS OF SEWER UTILITY CAPITAL CASH AND INVESTMENTS

|   | BALANCE<br>DEC. 31,<br><u>2017</u> |
|---|------------------------------------|
| Fund Balance                              | \$ 982.33                          |
| Capital Improvement Fund                  | 34,000.00                          |
| Improvement Authorizations Funded         | 149,488.70                         |
| Improvement Authorizations Unfunded       | 147,302.24                         |
| Bonds and Notes Authorized but not Issued | (782,527.55)                       |
| Down Payments on Improvements             | 732.00                             |
| Due to Sewer Operating Fund               | <u>450,022.28</u>                  |
|   | <u>\$ -</u>                        |

( ) Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND

|                              | <u>REF.</u> |                      |
|------------------------------|-------------|----------------------|
| Balance - December 31, 2016  | D           | \$ 282,303.08        |
| Increased by:                |             |                      |
| Sewer Utility Billings (Net) | Reserve     | <u>2,695,864.19</u>  |
|                              |             | 2,978,167.27         |
| Decreased by:                |             |                      |
| Collected                    | D-3,D-5     | 2,598,209.22         |
| Prepays Applied              | D-3,D-10    | 3,462.76             |
| Overpayments Applied         | D-9         | <u>33,562.73</u>     |
|                              |             | <u>2,635,234.71</u>  |
| Balance - December 31, 2017  | D           | <u>\$ 342,932.56</u> |

Exhibit - D-9

SEWER RENTS OVERPAYMENTS  
SEWER UTILITY OPERATING FUND

|                             | <u>REF.</u> |                    |
|-----------------------------|-------------|--------------------|
| Balance - December 31, 2016 | D           | \$ 35,413.03       |
| Increased by:               |             |                    |
| Cash Receipts               | D-5         | <u>5,834.78</u>    |
|                             |             | 41,247.81          |
| Decreased by:               |             |                    |
| Refunded                    | D-5         | 1,778.25           |
| Applied to Rents Receivable | D-8         | <u>33,562.73</u>   |
|                             |             | <u>35,340.98</u>   |
| Balance - December 31, 2017 | D           | <u>\$ 5,906.83</u> |

Exhibit - D-10

PREPAID SEWER RENTS  
SEWER UTILITY OPERATING FUND

|                             | <u>REF.</u> |                           |
|-----------------------------|-------------|---------------------------|
| Balance - December 31, 2016 | D           | \$ 3,462.76               |
| Increased by:               |             |                           |
| Cash Receipts               | D-5         | <u>6,619.27</u>           |
|                             |             | 10,082.03                 |
| Decreased by:               |             |                           |
| Applied to Rents Receivable | D-8         | <u>3,462.76</u>           |
| Balance - December 31, 2017 | D           | <u><u>\$ 6,619.27</u></u> |

Exhibit - D-11

SCHEDULE OF TAX TITLE LIENS RECEIVABLE  
SEWER UTILITY OPERATING FUND

|                             | <u>REF.</u> |                         |
|-----------------------------|-------------|-------------------------|
| Balance - December 31, 2016 | D           | \$ 240.00               |
| Balance - December 31, 2017 | D           | <u><u>\$ 240.00</u></u> |

SCHEDULE OF 2016 APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND

|                                   | <u>BALANCE</u><br><u>DEC. 31, 2016</u> | <u>RESERVE FOR</u><br><u>ENCUMBRANCES</u><br><u>DEC. 31, 2016</u> | <u>BALANCE</u><br><u>AFTER</u><br><u>MODIFICATION</u> | <u>PAID OR</u><br><u>CHARGED</u> | <u>BALANCE</u><br><u>LAPSED</u> |
|-----------------------------------|--|---|---|----------------------------------|---------------------------------|
| Operating:                        |  |   |   |                                  |                                 |
| Salaries and Wages                | \$ 4,732.76                            | \$ 7,190.98   | \$ 11,923.74  | \$ (156.00)                      | \$ 12,079.74                    |
| Other Expenses                    | 29,791.73                              | 159.90  | 29,951.63   | 13,684.77                        | 16,266.86                       |
| Statutory Expenditures:           |  |   |   |                                  |                                 |
| Contribution to:                  |  |   |   |                                  |                                 |
| Social Security System (O.A.S.I.) | <u>906.84</u>                          |   | <u>906.84</u>   |                                  | <u>906.84</u>                   |
|                                   | <u>\$ 35,431.33</u>                    | <u>\$ 7,350.88</u>  | <u>\$ 42,782.21</u>                                   | <u>\$ 13,528.77</u>              | <u>\$ 29,253.44</u>             |

Ref.

D

D

D-5

D-1



SCHEDULE OF FIXED CAPITAL  
SEWER UTILITY CAPITAL FUND

|                             | Ref. |                        |
|-----------------------------|------|------------------------|
| Balance - December 31, 2016 | D    | \$ 3,253,953.09        |
| Balance - December 31, 2017 | D    | <u>\$ 3,253,953.09</u> |

SEWER OPERATING  
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

|                       | Dec. 31,<br>2016       | Cash<br>Receipts            | Cash<br>Disbursements       | Dec. 31,<br>2017       |
|-----------------------|------------------------|-----------------------------|-----------------------------|------------------------|
| <b>Interfunds:</b>    |                        |                             |                             |                        |
| Sewer Capital Fund    | \$ (499,428.48)        | \$ 50,000.00                | \$ 593.80                   | \$ (450,022.28)        |
| Current Fund          | <u>(11,579.04)</u>     | <u>                    </u> | <u>                    </u> | <u>(11,579.04)</u>     |
| Interfunds Receivable | (511,007.52)           |                             |                             | (461,601.32)           |
| Interfunds Payable    | -                      |                             |                             | -                      |
| <b>Total</b>          | <u>\$ (511,007.52)</u> | <u>\$ 50,000.00</u>         | <u>\$ 593.80</u>            | <u>\$ (461,601.32)</u> |
| <u>Ref.</u>           | D                      | D-5                         | D-5                         | D                      |

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
SEWER UTILITY CAPITAL FUND

| ORD.<br>NO. | IMPROVEMENT DESCRIPTION      | ORDINANCE |               | BALANCE<br>DEC. 31, 2016 | AUTH                 | BALANCE<br>DEC. 31, 2017 |
|-------------|------------------------------|-----------|---------------|--------------------------|----------------------|--------------------------|
|             |                              | DATE      | 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    | 28,095.50                |                      | 28,095.50                |
| 2517        | Various Sewer Improvements   | 04/07/17  | 250,000.00    |                          | 250,000.00           | 250,000.00               |
|             |                              |           |               | <u>\$ 47,384.74</u>      | <u>\$ 250,000.00</u> | <u>\$ 297,384.74</u>     |

Ref.                      D                      D-17                      D

SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES  
SEWER UTILITY OPERATING FUND

|                             | <u>REF.</u> |                    |
|-----------------------------|-------------|--------------------|
| Balance - December 31, 2016 | D           | \$ 1,190.00        |
| Decreased by:               |             |                    |
| Cancelled to Fund Balance   | D-1         | <u>\$ 1,190.00</u> |

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
SEWER UTILITY CAPITAL FUND

| ORD. NO. | IMPROVEMENT DESCRIPTION      | ORDINANCE DATE | AMOUNT        | BALANCE DEC. 31, 2016 |                     | 2017 AUTHOR.         | PAID OR CHARGED  | BALANCE DEC. 31, 2017 |                      |
|----------|------------------------------|----------------|---------------|-----------------------|---------------------|----------------------|------------------|-----------------------|----------------------|
|          |                              |                |               | 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    | 28,095.50             |                     |                      |                  |                       | 28,095.50            |
| 2517     | Various Sewer Improvements   | 04/07/17       | 250,000.00    |                       | 250,000.00          |                      | 593.80           | 149,406.20            | 100,000.00           |
|          |                              |                |               | <u>\$ 82.50</u>       | <u>\$ 47,302.24</u> | <u>\$ 250,000.00</u> | <u>\$ 593.80</u> | <u>\$ 149,488.70</u>  | <u>\$ 147,302.24</u> |

Ref.

D

D

D-20

D-15

D

D

D

D

D

D

D

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND  
SEWER UTILITY CAPITAL FUND

|                                    | <u>REF.</u> |                           |
|------------------------------------|-------------|---------------------------|
| Balance - December 31, 2016        | D           | \$ 134,000.00             |
| Increased by:                      |             |                           |
| 2017 Budget Appropriation          | D-20        | <u>50,000.00</u>          |
|                                    |             | 184,000.00                |
| Decreased by:                      |             |                           |
| Approp. to Finance Improv. Author. | D-22        | <u>150,000.00</u>         |
| Balance - December 31, 2017        | D           | <u><u>\$34,000.00</u></u> |

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

|                             | <u>REF.</u> |                         |
|-----------------------------|-------------|-------------------------|
| Balance - December 31, 2016 | D           | \$ 732.00               |
| Balance - December 31, 2017 | D           | <u><u>\$ 732.00</u></u> |

SCHEDULE OF DUE TO SEWER OPERATING FUND  
SEWER UTILITY CAPITAL FUND

|   | <u>REF.</u> |                             |
|---|-------------|-----------------------------|
| Balance - December 31, 2016                             | D           | \$ 499,428.48               |
| Increased by:   |             |                             |
| Improvement Authorizations Paid<br>by Operating Fund    | D-17        | <u>593.80</u>               |
|   |             | 500,022.28                  |
| Decreased by:   |             |                             |
| 2017 Budget Appropriation - Capital<br>Improvement Fund | D-18        | <u>50,000.00</u>            |
| Balance - December 31, 2017                             | D           | <u><u>\$ 450,022.28</u></u> |

SCHEDULE OF RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND

|                             | <u>REF.</u> |                        |
|-----------------------------|-------------|------------------------|
| Balance - December 31, 2016 | D           | \$ 2,580,727.78        |
| Balance - December 31, 2017 | D           | <u>\$ 2,580,727.78</u> |

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND

| <u>ORD. NO.</u> | <u>IMPROVEMENT DESCRIPTION</u> | <u>Date</u> | <u>BALANCE DEC. 31, 2016</u> | <u>CAPITAL IMPROVEMENT FUND</u> | <u>BALANCE DEC. 31, 2017</u> |
|-----------------|--------------------------------|-------------|------------------------------|---------------------------------|------------------------------|
|                 | <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                    |
| 2517            | Sewer Improvements             | 04/07/17    |                              | 150,000.00                      | 150,000.00                   |
|                 |                                |             | <u>\$ 38,082.50</u>          | <u>\$ 150,000.00</u>            | <u>\$ 188,082.50</u>         |

Ref.

D

D-18

D

SCHEDULE OF BONDS AND NOTES  
AUTHORIZED BUT NOT ISSUED

| <u>ORD. NO.</u> | <u>IMPROVEMENT DESCRIPTION</u> | <u>BALANCE DEC. 31, 2016</u> | <u>2017 AUTHORIZATIONS</u> | <u>BALANCE 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     | 342,000.00                   |                            | 342,000.00                   |
| 2517            | Various Sewer Improvements     |                              | 100,000.00                 | 100,000.00                   |
|                 |                                | <u>\$ 682,527.55</u>         | <u>\$ 100,000.00</u>       | <u>\$ 782,527.55</u>         |

Ref.

Footnote D



**Parking Utility Fund**

SCHEDULE OF PARKING UTILITY CASH AND INVESTMENTS - TREASURER

|                             | <u>REF.</u> | <u>OPERATING FUND</u> |
|-----------------------------|-------------|-----------------------|
| Balance - December 31, 2016 | E           | \$ -                  |
| Increased by Receipts:      |             |                       |
| Parking Meters              | E-2         | 688,235.33            |
| Parking Permits             | E-2         | 29,045.25             |
| Parking Deck Fees           | E-2         | 12,800.00             |
| Miscellaneous               | E-2         | <u>1,198.15</u>       |
|                             |             | <u>731,278.73</u>     |
|                             |             | 731,278.73            |
| Decreased by Disbursements: |             |                       |
| 2017 Budget Appropriations  | E-3         | <u>278,329.36</u>     |
|                             |             | <u>278,329.36</u>     |
| Balance - December 31, 2017 | E           | <u>\$ 452,949.37</u>  |

**Public Assistance Trust Fund**

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

|                             | <u>REF.</u> |                    |
|-----------------------------|-------------|--------------------|
| Balance - December 31, 2016 | F           | \$25,533.60        |
| Balance - December 31, 2017 | F           | <u>\$25,533.60</u> |

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

|                             |   |                    |
|-----------------------------|---|--------------------|
| Balance - December 31, 2016 | F | \$25,533.60        |
| Balance - December 31, 2017 | F | <u>\$25,533.60</u> |

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



**PART V  
SUPPLEMENTARY DATA**

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

**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 CPAs  
NEW JERSEY SOCIETY OF CPAs  
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, 2017, 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 21, 2018

BOROUGH OF SOMERVILLE  
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

AS AT DECEMBER 31, 2017

|                            |    |                          |
|----------------------------|----|--------------------------|
| Assets                     |    |                          |
| Investments, at fair value | \$ | <u>512,071.09</u>        |
| Total Assets               | \$ | <u><u>512,071.09</u></u> |
| Net Assets                 |    |                          |
| Restricted                 | \$ | <u>512,071.09</u>        |
| Total Net Assets           | \$ | <u><u>512,071.09</u></u> |

See Accompanying Notes and Accountant's Review Report



BOROUGH OF SOMERVILLE  
 SCHEDULE OF LENGTH OF SERVICE  
 AWARD PROGRAM (LOSAP)  
 STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017

|                                    |                      |
|------------------------------------|----------------------|
| Restricted Net Assets              |                      |
| Contributions                      | \$ 28,391.95         |
| Interest Earned                    | 2,748.81             |
| Appreciation                       | 64,237.62            |
| Withdrawals                        | <u>(11,200.26)</u>   |
| Increase in Net Assets             | 84,178.12            |
| Net Assets - Beginning of the Year | <u>427,892.97</u>    |
| Net Assets - End of the Year       | <u>\$ 512,071.09</u> |

See Accompanying Notes and Accountant's Review Report

BOROUGH OF SOMERVILLE  
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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 \$767.35 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 \$767.35 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, 2017

| ASSETS  | CURRENT FUND     | TRUST FUND      | GENERAL CAPITAL FUND | SEWER UTILITY FUND | PARKING UTILITY FUND | PUBLIC ASSISTANCE FUND | GOVERNMENTAL FIXED ASSETS | MEMORANDUM TOTAL ONLY |                  |
|---|------------------|-----------------|----------------------|--------------------|----------------------|------------------------|---------------------------|-----------------------|------------------|
|   |                  |                 |                      |                    |                      |                        |                           | DEC. 31, 2017         | DEC. 31, 2016    |
| Cash and Investments                              | \$ 9,595,688.59  | \$ 3,629,251.61 | \$ 844,824.68        | \$ 851,649.17      | \$ 452,949.37        | \$                     | \$                        | \$ 15,374,363.42      | \$ 10,239,480.61 |
| Cash Held by Trustee                              |                  | 512,071.09      |                      |                    |                      |                        |                           | 512,071.09            | 427,892.97       |
| Accounts Receivable:                              |                  |                 |                      |                    |                      |                        |                           |                       |                  |
| State & Federal Grants Receivable                 | 754,341.11       | 52,646.89       | 8,230,288.89         |                    |                      |                        |                           | 9,037,276.89          | 15,872,632.59    |
| Taxes, Assessments, Liens & Utility Charges       | 855,374.85       | 4,907.84        |                      | 343,172.56         |                      |                        |                           | 1,203,455.25          | 1,262,917.77     |
| Interfund Loans                                   | 379,679.62       | 229,510.42      |                      | 461,601.32         |                      | 25,533.60              |                           | 1,096,324.96          | 1,736,755.71     |
| Other Accounts Receivable                         | 22,062.82        |                 | 3,303.34             |                    |                      |                        |                           | 25,366.16             | 75,126.43        |
| Property Acquired for Taxes at Assessed Valuation | 28,500.00        |                 |                      |                    |                      |                        | 28,565,307.00             | 28,500.00             | 28,500.00        |
| Fixed Assets - General                            |                  |                 |                      |                    |                      |                        |                           | 28,565,307.00         | 30,333,329.00    |
| Fixed Capital - Utility                           |                  |                 |                      | 3,551,337.83       |                      |                        |                           | 3,551,337.83          | 3,301,337.83     |
| Deferred Charges to Future Taxation:              |                  |                 |                      |                    |                      |                        |                           |                       |                  |
| General Capital Fund                              |                  |                 | 23,557,515.43        |                    |                      |                        |                           | 23,557,515.43         | 25,747,996.22    |
|   | \$ 11,635,646.99 | \$ 4,428,387.85 | \$ 32,635,932.34     | \$ 5,207,760.88    | \$ 452,949.37        | \$ 25,533.60           | \$ 28,565,307.00          | \$ 82,951,518.03      | \$ 89,045,960.13 |

| LIABILITIES, RESERVES AND FUND BALANCE                                    | CURRENT FUND     | TRUST FUND      | GENERAL CAPITAL FUND | SEWER UTILITY FUND | PARKING UTILITY FUND | PUBLIC ASSISTANCE FUND | GOVERNMENTAL FIXED ASSETS | MEMORANDUM TOTAL ONLY |                  |
|---|------------------|-----------------|----------------------|--------------------|----------------------|------------------------|---------------------------|-----------------------|------------------|
|   |                  |                 |                      |                    |                      |                        |                           | DEC. 31, 2017         | DEC. 31, 2016    |
| Bonds and Notes Payable   | \$               | \$              | \$ 16,775,000.00     | \$                 | \$                   | \$                     | \$                        | \$ 16,775,000.00      | \$ 17,985,000.00 |
| Loans Payable   |                  |                 | 5,154,221.60         |                    |                      |                        |                           | 5,154,221.60          | 6,269,169.39     |
| Prepaid Taxes, Assessments, Utility Charges and Licenses                  | 1,122,604.91     |                 |                      | 6,619.27           |                      |                        |                           | 1,129,224.18          | 268,151.45       |
| Tax, Assessment, Lien, License and Utility Charge Overpayments            | 20,567.14        |                 |                      | 5,906.83           |                      |                        |                           | 26,473.97             | 56,178.58        |
| Appropriation Reserves  | 1,154,988.46     |                 |                      | 337,173.40         | 210,243.86           |                        |                           | 1,702,405.72          | 836,403.02       |
| Reserve for Encumbrances/Accounts Payable                                 | 871,495.45       | 4,090.30        | 353,551.80           | 13,583.00          | 32,926.78            |                        |                           | 1,275,647.33          | 1,618,375.07     |
| Amts. Pledged to Specific Purposes  | 1,134,248.72     | 4,359,875.63    | 1,232,375.71         | 34,732.00          |                      | 25,533.60              |                           | 6,786,765.66          | 5,565,716.79     |
| Improvement Authorizations  |                  |                 | 8,887,270.16         | 290,790.94         |                      |                        |                           | 9,184,061.10          | 15,383,933.51    |
| Interfund Loans   | 592,348.28       | 53,954.40       |                      | 450,022.28         |                      |                        |                           | 1,096,324.96          | 1,736,755.71     |
| Investments in Governmental Fixed Assets                                  |                  |                 |                      |                    |                      |                        | 28,565,307.00             | 28,565,307.00         | 30,333,329.00    |
| Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized |                  |                 |                      | 2,768,810.28       |                      |                        |                           | 2,768,810.28          | 2,618,810.28     |
| Reserve for Certain Assets Acquired or Receivables & Inventories          | 920,358.47       |                 |                      | 343,172.56         |                      |                        |                           | 1,263,531.03          | 1,365,342.62     |
| Fund Balance  | 5,819,035.56     | 10,467.52       | 233,513.07           | 950,950.32         | 209,778.73           |                        |                           | 7,223,745.20          | 4,988,803.71     |
|   | \$ 11,635,646.99 | \$ 4,428,387.85 | \$ 32,635,932.34     | \$ 5,207,760.88    | \$ 452,949.37        | \$ 25,533.60           | \$ 28,565,307.00          | \$ 82,951,518.03      | \$ 89,045,960.13 |

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

| Revenue and Other<br>Income Realized                  | Year 2017                  |                   | Year 2016                  |                   |
|---|----------------------------|-------------------|----------------------------|-------------------|
|   | Amount                     | %                 | Amount                     | %                 |
| Fund Balance Utilized                                 | \$ 1,900,000.00            | 3.84              | \$ 1,630,000.00            | 3.49              |
| Miscellaneous - From Other<br>Than Local Property     |                            |                   |                            |                   |
| Tax Levies  | 6,236,134.63               | 12.59             | 5,305,487.23               | 11.36             |
| Collection of Delinquent Taxes<br>and Tax Title Liens | 644,974.64                 | 1.30              | 644,876.83                 | 1.38              |
| Collection of Current<br>Tax Levies                   | <u>40,762,545.05</u>       | <u>82.28</u>      | <u>39,142,348.61</u>       | <u>83.78</u>      |
| <br>Total Income                                      | <br><u>49,543,654.32</u>   | <br><u>100.00</u> | <br><u>46,722,712.67</u>   | <br><u>100.00</u> |
| <br><u>Expenditures</u>                               |                            |                   |                            |                   |
| Budget Expenditures:                                  |                            |                   |                            |                   |
| Municipal Purposes                                    | 16,928,521.63              | 36.84             | 15,639,035.77              | 35.83             |
| County Taxes  | 4,981,015.43               | 10.84             | 4,864,305.22               | 11.14             |
| Local School Taxes                                    | 23,435,216.00              | 51.00             | 22,646,816.00              | 51.88             |
| Other Expenditures                                    | <u>606,397.36</u>          | <u>1.32</u>       | <u>503,069.05</u>          | <u>1.15</u>       |
| <br>Total Expenditures                                | <br><u>45,951,150.42</u>   | <br><u>100.00</u> | <br><u>43,653,226.04</u>   | <br><u>100.00</u> |
| <br>Excess in Revenue                                 | <br>3,592,503.90           |                   | <br>3,069,486.63           |                   |
| <br>Fund Balance January 1                            | <br><u>4,126,531.66</u>    |                   | <br><u>2,687,045.03</u>    |                   |
|   | <br>7,719,035.56           |                   | <br>5,756,531.66           |                   |
| Less:   |                            |                   |                            |                   |
| Utilization as Anticipated<br>Revenue                 | <u>1,900,000.00</u>        |                   | <u>1,630,000.00</u>        |                   |
| <br>Fund Balance December 31                          | <br><u>\$ 5,819,035.56</u> |                   | <br><u>\$ 4,126,531.66</u> |                   |

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

| Revenue and Other<br><u>Income Realized</u>      | Year 2017            |               | Year 2016            |               |
|--|----------------------|---------------|----------------------|---------------|
|  | <u>Amount</u>        | <u>%</u>      | <u>Amount</u>        | <u>%</u>      |
| Rents  | \$ 2,635,234.71      | 93.89         | \$ 2,751,435.63      | 96.98         |
| Miscellaneous From Other<br>Than Membership Fees | <u>171,414.15</u>    | <u>6.11</u>   | <u>85,786.41</u>     | <u>3.02</u>   |
| Total Income                                     | <u>2,806,648.86</u>  | <u>100.00</u> | <u>2,837,222.04</u>  | <u>100.00</u> |
| <u>Expenditures</u>                              |                      |               |                      |               |
| Budget Expenditures:                             |                      |               |                      |               |
| Operating  | 2,404,100.00         | 97.04         | 2,134,851.48         | 95.85         |
| Capital Improvements                             | 50,000.00            | 2.02          |                      |               |
| Debt Service                                     |                      |               | 69,428.00            | 3.12          |
| Deferred Charges and<br>Statutory Expenditures   | <u>23,200.00</u>     | <u>0.94</u>   | <u>23,000.00</u>     | <u>1.03</u>   |
| Total Expenditures                               | <u>2,477,300.00</u>  | <u>100.00</u> | <u>2,227,279.48</u>  | <u>100.00</u> |
| Excess in Revenue                                | 329,348.86           |               | 609,942.56           |               |
| Fund Balance January 1                           | <u>620,619.13</u>    |               | <u>10,676.57</u>     |               |
| Fund Balance December 31                         | <u>\$ 949,967.99</u> |               | <u>\$ 620,619.13</u> |               |



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

| Revenue and Other<br>Income Realized             | Year 2017                                |               |
|--|--|---------------|
|  | <u>Amount</u>                            | <u>%</u>      |
| Parking Meters                                   | \$ 688,235.33                            | 94.11         |
| Parking Permits                                  | 29,045.25                                | 3.97          |
| Parking Deck Fees                                | 12,800.00                                | 1.75          |
| Miscellaneous From Other<br>Than Membership Fees | <u>1,198.15</u>                          | <u>0.16</u>   |
| Total Income                                     | <u>731,278.73</u>                        | <u>100.00</u> |
| <br><u>Expenditures</u>                          |  |               |
| Budget Expenditures:                             |  |               |
| Operating  | 494,500.00                               | 94.82         |
| Deferred Charges and<br>Statutory Expenditures   | <u>27,000.00</u>                         | <u>5.18</u>   |
| Total Expenditures                               | <u>521,500.00</u>                        | <u>100.00</u> |
| Excess in Revenue                                | 209,778.73                               |               |
| Fund Balance January 1                           | <u>                                </u>  |               |
|  | 209,778.73                               |               |
| Less:  |  |               |
| Utilization as Anticipated Revenue               | <u>                                -</u> |               |
| Fund Balance December 31                         | <u>\$ 209,778.73</u>                     |               |

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION\*

|                                   | <u>2017</u>    | <u>2016</u>  | <u>2015</u>    |
|-----------------------------------|----------------|--------------|----------------|
| <u>Tax Rate:</u>                  | <u>\$3.522</u> | <u>3.379</u> | <u>\$3.334</u> |
| <u>Apportionment of Tax Rate:</u> |                |              |                |
| Municipal:                        | <u>1.068</u>   | <u>1.016</u> | <u>1.014</u>   |
| County:                           | <u>0.430</u>   | <u>0.418</u> | <u>0.413</u>   |
| Local School:                     | <u>2.024</u>   | <u>1.945</u> | <u>1.907</u>   |

Assessed Valuation:

|      |                           |                         |                         |
|------|---------------------------|-------------------------|-------------------------|
| 2017 | <u>\$1,158,012,282.00</u> |                         |                         |
| 2016 |                           | <u>1,164,199,512.00</u> |                         |
| 2015 |                           |                         | <u>1,165,315,238.00</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 2017 to be \$52,750.

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> |
|----------------------|------------------|-------------------------|---------------------------------|
| 2017                 | \$ 41,388,223.89 | \$ 40,762,545.05        | 98.49%                          |
| 2016                 | 39,980,361.40    | 39,142,348.61           | 97.90%                          |
| 2015                 | 39,344,771.12    | 38,586,702.41           | 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> |
|----------------------|----------------------------------|-----------------------------------|-------------------------|-------------------------------|
| 2017                 | \$ 332,638.00                    | \$ 522,736.85                     | \$ 855,374.85           | 2.07%                         |
| 2016                 | 245,535.43                       | 729,931.42                        | 975,466.85              | 2.44%                         |
| 2015                 | 110,997.36                       | 691,605.97                        | 802,603.33              | 2.04%                         |

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> |
|----------------------|---------------|
| 2017                 | \$ 28,500.00  |
| 2016                 | 28,500.00     |
| 2015                 | 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                   | 2017                 | \$ 5,819,035.56 | \$ 1,900,000.00                              |
|                                | 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                                 |
| Sewer Utility Operating Fund   | 2017                 | \$ 949,967.99   | \$ 158,316.02                                |
|                                | 2016                 | 620,619.13      | None   |
|                                | 2015                 | 10,676.57       | None   |
|                                | 2014                 | 78,877.46       | 70,947.00                                    |
|                                | 2013                 | 97,682.00       | 97,000.00                                    |
| Parking Utility Operating Fund | 2017                 | \$ 209,778.73   | None   |
|                                | 2016                 |                 | None (1)                                     |

(1) - 2017 Represents first year of the Parking Utility 150 -

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2017:

| <u>NAME</u>              |   | <u>TITLE</u>   | <u>AMOUNT<br/>OF BOND</u> |
|--------------------------|---|--|---------------------------|
| Brian G. Gallagher       | - | Mayor  | *                         |
| Steve Peter              | - | President of Council   | *                         |
| Granville Brady          | - | Councilperson  | *                         |
| Jason Kraska             | - | Councilperson  | *                         |
| Jane Kobuta              | - | Councilperson  | *                         |
| Thompson Mitchell        | - | Councilperson  | *                         |
| Dennis Sullivan          | - | Councilperson  | *                         |
| Kevin Sluka              | - | Business Administrator, Borough Clerk,<br>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<br>Subcode Official, Plumbing Sub Code Official |                           |
| Frank Vuoso              | - | Community Development Director,<br>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**



**PART VI  
GENERAL COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF SOMERVILLE  
COUNTY OF SOMERSET, NEW JERSEY  
YEAR ENDED DECEMBER 31, 2017**

**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, 2017, 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, 2017, 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 21, 2018 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:

##### 2017-1 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, Pedestrian Safety Improvements, Installation of Solar Powered Pay by Space Stations.

##### State Contracts:

###### Temporary Labor Services

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, 2017, 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 18, 2017. 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 2017     | 8                      |
| CY 2016     | 8                      |
| CY 2015     | 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, 2017.

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, 2017. The minimum surety bond requirements for both the Tax Collector and Municipal Court were met for fiscal year 2017.

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.

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

During CY 2017, 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, 2017. 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.)

#### 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.

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 2016, 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:

None

\*\*\*\*\*

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