

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

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

**WITH
REPORT OF INDEPENDENT AUDITORS**

HODULIK & MORRISON, P.A.

A division of



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

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SOMERSET COUNTY, NEW JERSEY

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SOMERSET COUNTY, NEW JERSEY**

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

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

INDEPENDENT AUDITORS' 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, 2018 and 2017 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, 2018 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.

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, 2018, 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, 2018 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, 2018, on the basis of accounting described in Note 2.

Emphasis of Matter

As discussed in the notes to the financial statements, during the fiscal year ending December 31, 2018, the Borough of Somerville implemented the provisions of Statement Number 75 of the Governmental Accounting Standards Board (GASB 75). GASB 75 changed the measurement criteria and reporting provisions relating to the Borough’s proportionate share (if any), of the annual expense and net liability of the post-retirement employee benefits other than pensions (OPEB) of plans in which its employees are enrolled. Note 8 of the Notes to the Financial Statements also discloses the Borough’s proportionate share, for information purposes only, of the state sponsored OPEB Plan. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information as Required by Uniform Guidance and NJ OMB Circular 15-08

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 II – the schedule of expenditures of federal awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Uniform Guidance)*; and the schedule of expenditures of state financial assistance as required by New Jersey OMB’s Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are not a required part of the financial statements.

The information included in Part II – the accompanying schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance 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.


Supplementary Information Required by the Division of Local Government Services in Accordance with the Regulatory Basis of Accounting

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 III – Supplementary Schedules and Part IV - 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 Supplemental Schedules and Part IV – Supplementary Data 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 21, 2019 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.
A division of PKF O’Connor Davies
Certified Public Accountants
Registered Municipal Accountants


Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Highland Park, New Jersey
August 21, 2019

FINANCIAL STATEMENTS

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash and Investments - Treasurer	A-4	\$ 10,719,300.07	\$ 9,595,288.59	Liabilities:			
Change Funds	A-5	400.00	400.00	Appropriation Reserves	A-3, A-14	\$ 797,707.40	\$ 1,154,988.46
Due from State of NJ SC/Vet Deductions	A-8	<u>5,639.04</u>	<u> </u>	Reserve for Encumbrances	A-3, A-14	688,235.26	781,586.81
		<u>10,725,339.11</u>	<u>9,595,688.59</u>	Prepaid Property Taxes	A-7	268,583.68	1,122,604.91
				Tax Overpayments	A-15	25,037.17	20,567.14
Receivables and Other Assets With				Due to State of NJ SC/Vet Deductions	A-8		6,027.07
Full Reserves:				Due Downtown Somerville Alliance	A-12		5,000.00
Delinquent Prop. Taxes Receivable	A-7	663,312.35	522,736.85	Interfunds Payable	A-13	968,399.60	592,348.28
Tax Title Liens Receivable	A-7	265,692.03	332,638.00	Various Reserves	A-10	<u>81,071.25</u>	<u>93,530.36</u>
Maintenance Liens Receivable	A-6	1,512.00	1,512.00			2,829,034.36	3,776,653.03
Property Acquired for Taxes (At				Reserve for Receivables	Reserve	1,010,815.83	920,358.47
Assessed Valuation)	A-9	28,500.00	28,500.00	Fund Balance	A-1	<u>7,896,304.75</u>	<u>5,819,035.56</u>
Revenue Accounts Receivable	A-11	34,822.45	20,550.82				
Interfunds Receivable	A-13	<u>16,977.00</u>	<u>14,420.80</u>				
		<u>1,010,815.83</u>	<u>920,358.47</u>				
Total Current Fund		<u>11,736,154.94</u>	<u>10,516,047.06</u>	Total Current Fund		<u>11,736,154.94</u>	<u>10,516,047.06</u>
Grant Fund:				Grant Fund:			
State and Federal Grants Receivable	A-16	1,685,296.51	754,341.11	Reserve for Encumbrances	A-18	291,437.67	75,857.12
Interfunds Receivable	A-17	<u>741,310.14</u>	<u>365,258.82</u>	Reserve for State and Federal Grants:			
				Appropriated	A-18	2,132,933.98	1,009,877.27
				Unappropriated	A-19	<u>2,235.00</u>	<u>33,865.54</u>
Total Grant Fund		<u>2,426,606.65</u>	<u>1,119,599.93</u>	Total Grant Fund		<u>2,426,606.65</u>	<u>1,119,599.93</u>
		<u>\$ 14,162,761.59</u>	<u>\$ 11,635,646.99</u>			<u>\$ 14,162,761.59</u>	<u>\$ 11,635,646.99</u>

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, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance Appropriated	A-1,A-2	\$ 1,900,000.00	\$ 1,900,000.00
Miscellaneous Revenues Anticipated	A-2	5,481,928.87	4,817,125.34
Receipts from Delinquent Taxes	A-2	680,295.96	644,974.64
Receipts from Current Taxes	A-2	41,665,248.89	40,762,545.05
Non-Budget Revenue	A-2	446,405.19	512,563.64
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	A-14	1,560,170.80	902,115.53
Res. for State and Fed. Grants			
Approp. Cancel. (Net)			4,330.12
		<hr/>	<hr/>
Total Revenues		51,734,049.71	49,543,654.32
		<hr/>	<hr/>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating Within CAPS:			
Operating	A-3	12,218,875.00	11,853,160.00
Def. Charges and Statutory Expend.	A-3	1,467,500.00	1,316,016.00
Operating Excluded from CAPS:			
Operating	A-3	1,190,669.67	651,266.01
Capital Improvements	A-3	125,000.00	75,000.00
Municipal Debt Service	A-3	3,005,719.02	3,033,079.62
Local District School Tax	A-12	24,024,360.00	23,435,216.00
County Tax	A-12	5,123,822.00	4,972,064.56
County Added Tax	A-12	11,408.03	8,950.87
Downtown Somerville Alliance Tax	A-12	589,426.80	529,784.80
Refund of Prior Years Revenues			76,612.56
		<hr/>	<hr/>
Total Expenditures		47,756,780.52	45,951,150.42
		<hr/>	<hr/>
Excess (Deficit) in Revenue (Balance Forward)		3,977,269.19	3,592,503.90
<u>FUND BALANCE</u>			
Balance - January 1	A	5,819,035.56	4,126,531.66
		<hr/>	<hr/>
		9,796,304.75	7,719,035.56
Decreased by:			
Utilization as Anticipated Revenue	A-1	1,900,000.00	1,900,000.00
		<hr/>	<hr/>
Balance - December 31	A	\$ 7,896,304.75	\$ 5,819,035.56
		<hr/> <hr/>	<hr/> <hr/>

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, 2018

		ANTICIPATED 2018 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 1,900,000.00	\$ _____	\$ 1,900,000.00	\$ _____
Total Surplus Anticipated		<u>1,900,000.00</u>	<u>_____</u>	<u>1,900,000.00</u>	<u>_____</u>
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		30,000.00		35,370.00	5,370.00
Other		35,000.00		35,250.00	250.00
Fees and Permits		150,000.00		134,052.00	(15,948.00)
Fines and Costs:					
Municipal Court		400,000.00		413,717.35	13,717.35
Interest and Costs on Taxes		170,000.00		208,004.23	38,004.23
Interest on Investments and Deposits		30,000.00		95,353.33	65,353.33
Recreation Fees		10,000.00		6,615.00	(3,385.00)
Recreation Programs		80,000.00		83,095.98	3,095.98
Sale of Garbage Decals		20,000.00		23,040.00	3,040.00
Rent of Office Facilities		4,000.00		4,440.00	440.00
Consolidated Municipal Property Tax Relief		33,328.00		33,328.00	-
Energy Receipts Tax		1,370,962.00		1,370,962.00	-
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees		250,000.00		439,947.00	189,947.00
Public and Private Revenues Offset with Approps.:					
Assistance to Firefighters Grant Program			185,000.00	185,000.00	-
Association of NJ Environmental Commission - Butterfly Garden Grant			1,200.00	1,200.00	-
Body Armor Replacement fund		2,990.70		2,990.70	-
Bulletproof Vest Program			3,097.50	3,097.50	-
CDBG South St. Sanitary Sewer Grant		84,245.00		84,245.00	-
Clean Communities			21,892.93	21,892.93	-
Drunk Driving Enforcement Grant		7,828.17		7,828.17	-
Garden Club of Somerset Hills Tree Planting and Community Garden Grant			800.00	800.00	-
Green Acres Grant		143,355.00		143,355.00	-
Municipal Alcohol Ed. Rehab Grant			7,469.71	7,469.71	-
Municipal Alliance Grant		11,029.36		11,029.36	-
NJ DEP - Hazardous Discharge Site Remediation			455,730.00	455,730.00	-
NJ DEP - RCP Challenge Grant for Pedestrian Safety			15,000.00	15,000.00	-
NJ Safe Corridors Grant		1,254.63		1,254.63	-
Preserve New Jersey Preservation Grant			23,535.00	23,535.00	-
Recycling Tonnage Grant		20,811.67		20,811.67	-
Somerset County - The Council for Boys and Young Men			3,430.00	3,430.00	-
Somerset County Regional Partnership - Creative Placemaking Challenge Grant			15,000.00	15,000.00	-
Sustainable Jersey Small Grants Program			20,000.00	20,000.00	-
Transit Village Program for the Wayfinding Program - 2018			80,000.00	80,000.00	-
Youth Service			5,000.00	5,000.00	-
Other Special Items:					
Uniform Fire Safety Act		100,000.00		115,042.08	15,042.08
Sale of Municipal Assets		3,500.00		29,122.27	25,622.27
Cable TV Franchise Fees		153,418.00		153,418.31	0.31
Somerville Senior Citizen Housing Inc.		100,000.00		105,511.28	5,511.28
Desapio Contribution		76,000.00		76,000.00	-
JSM - P.I.L.O.T.		395,000.00		396,264.07	1,264.07
ERG - Contribution Debt Service		375,000.00		375,000.00	-
DSA Contribution		45,000.00		45,000.00	-
SC Social SVCS. Blvd - P.I.L.O.T.		125,000.00		127,125.00	2,125.00
COBOLT - 70 - VWD - P.I.L.O.T.		121,000.00		67,601.30	(53,398.70)
Total Miscellaneous Revenues	A-1	<u>4,348,722.53</u>	<u>837,155.14</u>	<u>5,481,928.87</u>	<u>296,051.20</u>
Receipts from Delinquent Taxes	A-1,A-2	<u>500,000.00</u>	<u>_____</u>	<u>680,295.96</u>	<u>180,295.96</u>
Subtotal General Revenues		<u>4,848,722.53</u>	<u>837,155.14</u>	<u>6,162,224.83</u>	<u>476,347.16</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes	A-2	<u>12,609,267.00</u>	<u>_____</u>	<u>14,066,232.06</u>	<u>1,456,965.06</u>
Total General Revenues		<u>19,357,989.53</u>	<u>837,155.14</u>	<u>22,128,456.89</u>	<u>\$ 1,933,312.22</u>
Non-Budget Revenues	A-1	<u>_____</u>	<u>_____</u>	<u>446,405.19</u>	<u>_____</u>
		<u>\$ 19,357,989.53</u>	<u>\$ 837,155.14</u>	<u>\$ 22,574,862.08</u>	<u>_____</u>

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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, 2018

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2018 Collections	A-7	\$ 40,481,037.46	
Prepaid Taxes Applied	A-7	1,122,604.91	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-7	<u>61,606.52</u>	
	A-1		\$ 41,665,248.89
<u>Allocated to:</u>			
Local School Tax	A-12	24,024,360.00	
County Taxes	A-12	5,123,822.00	
Added County Taxes	A-12	11,408.03	
Special District Tax	A-12	<u>589,426.80</u>	
			<u>29,749,016.83</u>
			11,916,232.06
Add: Reserve for Uncollected Taxes	A-3		<u>2,150,000.00</u>
Amount for Support of Municipal Budget	A-2		<u><u>\$ 14,066,232.06</u></u>
<u>Allocation of Delinquent Tax Collections:</u>			
Collections	A-7	\$ 517,971.66	
Tax Title Liens	A-7	<u>162,324.30</u>	
	A-2		<u><u>\$ 680,295.96</u></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, 2018

	2018 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operations Within "CAPS"						
<u>GENERAL GOVERNMENT:</u>						
Administrative and Executive						
Salaries and Wages	\$ 235,000.00	\$ 205,000.00	\$ 203,192.86	\$	\$ 1,807.14	\$
Other Expenses	234,900.00	234,900.00	94,630.20	21,801.57	118,468.23	
Borough Clerk						
Salaries and Wages	66,000.00	66,000.00	60,687.00		5,313.00	
Elections						
Salaries and Wages	4,000.00	4,000.00	1,806.22		2,193.78	
Other Expenses	4,000.00	4,000.00	3,553.40		446.60	
Financial Administration						
Salaries and Wages	144,000.00	144,000.00	142,885.30		1,114.70	
Other Expenses	39,500.00	39,500.00	20,330.38	100.00	19,069.62	
Audit	53,000.00	53,000.00		53,000.00	-	
Assessment of Taxes						
Salaries and Wages	26,700.00	26,700.00	26,529.88		170.12	
Other Expenses	4,350.00	4,350.00	2,105.60	1,379.95	864.45	
Collection of Taxes						
Salaries and Wages	85,000.00	85,000.00	74,535.54		10,464.46	
Other Expenses	8,775.00	8,775.00	6,193.75	795.00	1,786.25	
Legal Services and Costs						
Other Expenses	89,000.00	89,000.00	63,391.73	4,333.00	21,275.27	
Municipal Prosecutor						
Other Expenses	20,000.00	20,000.00	18,333.26	1,666.74	-	
Engineering Services and Costs						
Salaries and Wages	10,000.00	-			-	
Other Expenses	18,975.00	28,975.00	16,084.33	475.00	12,415.67	
Public Bldgs. and Grounds						
Salaries and Wages	128,000.00	130,500.00	128,145.65		2,354.35	
Other Expenses	132,300.00	132,300.00	109,058.72	16,637.96	6,603.32	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Other Expenses	16,000.00	16,000.00	7,141.61		8,858.39	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
<u>GENERAL GOVERNMENT:</u>						
Department of Technology						
Other Expenses	\$ 162,200.00	\$ 112,200.00	\$ 108,690.80	\$ 1,500.00	\$ 2,009.20	\$
Zoning Board of Adjustment						
Other Expenses	5,450.00	5,450.00	4,933.51		516.49	
Insurance						
Group Insurance	1,094,000.00	1,044,000.00	927,968.35	100,311.35	15,720.30	
Other Insurance Premiums	834,500.00	789,500.00	775,934.89	2,650.00	10,915.11	
Prescription Drug/Dental Program	70,500.00	70,500.00	53,943.40		16,556.60	
<u>PUBLIC SAFETY:</u>						
Fire						
Salaries and Wages	75,500.00	75,500.00	59,482.88		16,017.12	
Other Expenses	179,700.00	172,400.00	108,444.55	60,868.53	3,086.92	
Uniform Fire Safety Act (PL 1983,Ch 383)						
Salaries and Wages	118,000.00	118,000.00	111,118.98		6,881.02	
Other Expenses	3,425.00	3,425.00	3,367.82		57.18	
Police						
Salaries and Wages	3,480,000.00	3,655,000.00	3,647,715.79		7,284.21	
Other Expenses	221,200.00	221,200.00	198,759.40	21,413.06	1,027.54	
First Aid Organization - Contribution	70,000.00	70,000.00	70,000.00		-	
Emergency Management Services						
Other Expenses	22,000.00	22,000.00	16,476.07	2,363.41	3,160.52	
School Crossing Guard - Contractual	205,000.00	205,000.00	167,045.14	37,850.30	104.56	
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	390,000.00	460,000.00	458,650.32		1,349.68	
Other Expenses	462,250.00	372,250.00	197,193.58	62,987.22	112,069.20	
Snow Removal						
Other Expenses	31,000.00	51,000.00	40,954.33	8,462.46	1,583.21	
Sanitary Sewer System						
Other Expenses	22,000.00	22,000.00	11,545.00		10,455.00	
Garbage and Trash Collection						
Other Expenses	783,000.00	783,000.00	561,881.17	71,448.65	149,670.18	
Recycling						
Other Expenses	125,000.00	125,000.00	107,930.89	150.00	16,919.11	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Salaries and Wages	\$ 109,400.00	\$ 109,400.00	\$ 108,501.90		\$ 898.10	\$
Other Expenses	114,000.00	114,000.00	102,637.26	9,330.66	2,032.08	
Dog Regulations - Contractual						
Other Expenses	35,500.00	35,500.00	35,500.00		-	
<u>RECREATION AND EDUCATION:</u>						
Parks and Playgrounds						
Salaries and Wages	25,000.00	10,000.00	1,920.00		8,080.00	
Other Expenses	80,500.00	93,000.00	76,888.91	10,361.84	5,749.25	
Recreation						
Salaries and Wages	125,000.00	125,000.00	101,725.71		23,274.29	
Other Expenses	126,950.00	126,950.00	116,047.80	591.25	10,310.95	
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	29,363.88		636.12	
Other Expenses	205,500.00	205,500.00	205,285.58		214.42	
<u>OTHER BOARDS & 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	226,000.00	226,000.00	215,876.77		10,123.23	
Other Expenses	6,800.00	6,800.00	5,965.48	250.00	584.52	
Electrical Inspector						
Salaries and Wages	106,000.00	106,000.00	105,589.90		410.10	
Matching Funds for Grants	435,000.00	442,300.00	442,007.34		292.66	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS" (Contd.)						
UNCLASSIFIED:						
Street Lighting	\$ 285,000.00	\$ 285,000.00	\$ 193,696.66	\$ 59,409.91	\$ 31,893.43	\$
Fire Hydrant Fees	155,000.00	155,000.00	123,582.88	26,199.72	5,217.40	
Telephone	93,000.00	93,000.00	76,886.03	4,432.27	11,681.70	
Water	18,000.00	22,000.00	16,330.79	1,138.98	4,530.23	
Electricity	215,000.00	215,000.00	120,720.21	59,224.76	35,055.03	
Gasoline	100,000.00	96,000.00	71,950.06	10,500.05	13,549.89	
Accumulated Sick Leave						
Salaries and Wages	50,000.00	50,000.00	50,000.00			
Total Operations Within "CAPS"	12,217,875.00	12,217,875.00	10,811,119.46	651,633.64	755,121.90	-
Contingent	1,000.00	1,000.00			1,000.00	
Total Operations Including Contingent Within "CAPS"	12,218,875.00	12,218,875.00	10,811,119.46	651,633.64	756,121.90	-
DETAIL:						
Salaries and Wages	5,433,600.00	5,626,100.00	5,527,728.58	-	98,371.42	-
Other Expenses	6,785,275.00	6,592,775.00	5,283,390.88	651,633.64	657,750.48	-
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	278,400.00	278,400.00	278,370.72		29.28	
Social Security System (O.A.S.I.)	240,000.00	240,000.00	195,257.83	36,422.66	8,319.51	
Police and Firemen's Retirement	936,100.00	936,100.00	936,053.00		47.00	
State Unemployment Insurance	10,000.00	10,000.00	10,000.00		-	
Defined Contribution Retirement Program	3,000.00	3,000.00	1,047.46	178.96	1,773.58	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,467,500.00	1,467,500.00	1,420,729.01	36,601.62	10,169.37	-
Total General Approp. for Municipal Purposes Within "CAPS"	13,686,375.00	13,686,375.00	12,231,848.47	688,235.26	766,291.27	-

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
L.O.S.A.P. Contribution:						
First aid Organization	\$ 32,000.00	\$ 32,000.00	\$ 28,619.13		\$ 3,380.87	\$
Reserve for Tax Appeals	50,000.00	50,000.00	21,964.74		28,035.26	
State and Federal Programs Offset by Revenues:						
Assistance to Firefighters Grant Program		185,000.00	185,000.00			
Association of NJ Environmental Commission - Butterfly Garden Grant		1,200.00	1,200.00			
Body Armor Grant	2,990.70	2,990.70	2,990.70			
Bulletproof Vest Program		3,097.50	3,097.50			
CDBG 2017 Sanitary Sewers	84,245.00	84,245.00	84,245.00			
Clean Communities		21,892.93	21,892.93			
Drunk Driving Enforcement Grant	7,828.17	7,828.17	7,828.17			
Garden Club of Somerset Hills Tree Planting and Community Garden Grant		800.00	800.00			
Green Acres Chambers Park	143,355.00	143,355.00	143,355.00			
Hazardous Discharges Site Remediation Fund - Remedial Investigation - 60 Cornell Blvd		455,730.00	455,730.00			
Highway Safety Grant	1,254.63	1,254.63	1,254.63			
Municipal Alcohol Education/Rehabilitation Program		7,469.71	7,469.71			
Municipal Alliance on Alcohol & Drug Abuse	11,029.36	11,029.36	11,029.36			
NJ DOT 2018 Transit Village Program		80,000.00	80,000.00			
Pedestrian Safety, Education & Enforcement Fund - RCP Challenge		15,000.00	15,000.00			
Preserve New Jersey Preservation Grant		23,535.00	23,535.00			
Recycling Tonnage Grant	20,811.67	20,811.67	20,811.67			
Somerset County - The Council for Boys and Young Men		3,430.00	3,430.00			
Somerset County Regional Partnership-Creative Placemaking Challenge Grant		15,000.00	15,000.00			
Sustainable Jersey Small Grants Program - Charging Station		20,000.00	20,000.00			
Youth Service - Various Programs		5,000.00	5,000.00			
Total Operations - Excluded from "CAPS"	353,514.53	1,190,669.67	1,159,253.54	-	31,416.13	
<u>DETAIL:</u>						
Salaries and Wages	-	-	-	-		
Other Expenses	353,514.53	1,190,669.67	1,159,253.54	-	31,416.13	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	
<u>Capital Improvements - Excluded from "CAPS"</u>					
Capital Improvement Fund	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$	\$
Total Capital Improvements - Excluded from "CAPS"	<u>125,000.00</u>	<u>125,000.00</u>	<u>125,000.00</u>	-	
<u>Municipal Debt Service - Excluded from "CAPS":</u>					
Payment of Bond Principal	2,245,000.00	2,245,000.00	2,245,000.00		-
Interest on Bonds	435,000.00	435,000.00	432,462.76		2,537.24
Interest on Notes	20,100.00	20,100.00	19,944.44		155.56
Somerset County Improvement Authority:					
Capital Lease Program:					
Capital Lease Program Principal	298,000.00	298,000.00	263,428.40		34,571.60
Capital Lease Program Interest	<u>45,000.00</u>	<u>45,000.00</u>	<u>44,883.42</u>		<u>116.58</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>3,043,100.00</u>	<u>3,043,100.00</u>	<u>3,005,719.02</u>	-	<u>37,380.98</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED	
			PAID OR CHARGED	ENCUMBERED		RESERVED
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,521,614.53</u>	<u>4,358,769.67</u>	<u>4,289,972.56</u>	<u>-</u>	<u>31,416.13</u>	<u>37,380.98</u>
Subtotal General Appropriations	17,207,989.53	18,045,144.67	16,521,821.03	688,235.26	797,707.40	37,380.98
Reserve for Uncollected Taxes	<u>2,150,000.00</u>	<u>2,150,000.00</u>	<u>2,150,000.00</u>		<u>-</u>	
Total General Appropriations	<u>\$ 19,357,989.53</u>	<u>\$ 20,195,144.67</u>	<u>\$ 18,671,821.03</u>	<u>\$ 688,235.26</u>	<u>\$ 797,707.40</u>	<u>\$ 37,380.98</u>
	<u>Ref</u>	<u>A-2</u>	<u>A-1</u>	<u>A,A-1</u>	<u>A, A-1</u>	
Adopted Budget	A-2	\$ 19,357,989.53				
Added by N.J.S.A. 40A:4-87	A-2	<u>837,155.14</u>				
		<u>\$ 20,195,144.67</u>				
Disbursed	A-4		\$ 14,971,144.02			
Reserve for Uncollected Taxes	A-2		2,150,000.00			
Public & Private Programs Approp.	A-13		<u>1,550,677.01</u>			
			<u>\$ 18,671,821.03</u>			

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, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Assessment Trust Fund:				Assessment Trust Fund:			
Cash	B-2	\$ 10,467.52	\$ 10,467.52	Reserve for Assessments and Liens	B-2	\$ 4,907.84	\$ 4,907.84
Assessments Receivable	B-2	<u>4,907.84</u>	<u>4,907.84</u>	Fund Balance	B-1	<u>10,467.52</u>	<u>10,467.52</u>
Total Assessment Trust Fund		<u>15,375.36</u>	<u>15,375.36</u>	Total Assessment Trust Fund		<u>15,375.36</u>	<u>15,375.36</u>
Animal Control Fund:				Animal Control Fund:			
Cash - Treasurer	B-2	<u>31,784.60</u>	<u>26,349.00</u>	Due to State of NJ	B-2		10.80
				Due to Current Fund	B-2	16,977.00	14,420.80
				Reserve to Pay Animal Control			
				Fund Expenditures	B-2	<u>14,807.60</u>	<u>11,917.40</u>
Total Animal Control Fund		<u>31,784.60</u>	<u>26,349.00</u>	Total Animal Control Fund		<u>31,784.60</u>	<u>26,349.00</u>
Trust-Other Fund:				Trust-Other Fund:			
Cash - Treasurer	B-2	3,394,596.93	3,592,435.09	Interfunds Payable	B-2	39,533.60	39,533.60
Interfunds Receivable	B-2	229,510.42	229,510.42	Reserve for Encumbrances	B-2	57,576.17	4,079.50
Accounts Receivable	B-2	8,261.00	8,261.00	Reserve for:			
CDBG Receivable	B-2	44,385.89	44,385.89	Miscellaneous Deposits	B-2	1,897,988.07	1,838,956.34
				CDBG Expenditures	B-2	44,385.89	44,385.89
				District Management Corporation	B-2	445,482.51	366,841.69
				Unemployment Insurance Fund	B-2	63,460.85	51,806.27
				Sanitary Landfill Closure	B-2	10,419.38	10,393.37
				Builders Escrow	B-2	74,462.78	92,440.93
				Tax Redemption Trust	B-2	672,103.26	1,125,000.00
				Recreation Commission	B-2	87,572.77	68,494.68
				Housing Assistance Program	B-2	34,300.96	4,891.79
				Housing Assistance Program-Portables	B-2	30,278.19	30,278.19
				Law Enforcement Trust Fund	B-2	39,668.51	39,391.79
				Payroll Agency	B-2	177,817.97	153,633.39
				Credit Card Fee Accounts	B-2	<u>1,703.33</u>	<u>4,464.97</u>
Total Trust-Other Fund		<u>3,676,754.24</u>	<u>3,874,592.40</u>	Total Trust-Other Fund		<u>3,676,754.24</u>	<u>3,874,592.40</u>
		<u>\$ 3,723,914.20</u>	<u>\$ 3,916,316.76</u>			<u>\$ 3,723,914.20</u>	<u>\$ 3,916,316.76</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, 2018

	<u>REF.</u>	
Balance - December 31, 2017	B	\$ 10,467.26
Balance - December 31, 2018	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, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	BALANCE DEC. 31, <u>2018</u>	BALANCE DEC. 31, <u>2017</u>
Cash	C- 2	\$ 1,564,508.23	\$ 844,824.68
Due from Various Grantor Agencies	C- 7	4,771,125.15	8,230,288.89
Due from Somerset County Improvement Authority	C-12	3,303.34	3,303.34
Deferred Charges to Future Taxation:			
Funded	C- 5	19,192,243.55	20,929,221.60
Unfunded	C- 6	<u>5,093,068.83</u>	<u>2,628,293.83</u>
		<u>\$ 30,624,249.10</u>	<u>\$ 32,635,932.34</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u> 			
General Serial Bonds Payable	C-10	\$ 13,530,000.00	\$ 15,775,000.00
NJEIT Loan Payable	C-11	3,943,224.00	3,943,224.00
SCIA Leases Payable	C-15	1,719,019.55	1,210,997.60
Bond Anticipation Notes	C- 9	3,990,000.00	1,000,000.00
Improvement Authorizations:			
Funded	C-8	4,287,933.24	7,738,588.82
Unfunded	C-8	1,326,525.58	1,148,681.34
Reserve for Encumbrances Payable	C-8	190,441.74	353,551.80
Reserve for Payment of Future Debt Service ERG	C-13	831,305.61	705,129.40
Reserve for Payment of Future Debt Service	C-14	529,764.48	503,264.48
Capital Improvement Fund	C- 4	19,256.83	23,981.83
Fund Balance	C- 1	<u>256,778.07</u>	<u>233,513.07</u>
		<u>\$ 30,624,249.10</u>	<u>\$ 32,635,932.34</u>
 Bonds and Notes Authorized but not Issued	 C-16	 <u>\$ 1,103,068.83</u>	 <u>\$ 1,628,293.83</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, 2018

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 233,513.07
Increased by:		
Premium on BAN Sale	C-2	<u>23,265.00</u>
Balance - December 31, 2018	C	<u>\$ 256,778.07</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 1,680,624.97	\$ 851,599.17	Liabilities:			
Change Fund	D-6	50.00	50.00	Appropriation Reserves	D-4, D-12	\$ 246,696.62	\$ 337,173.40
Interfunds Receivable	D-14	461,007.75	461,601.32	Reserve for Encumbrances	D-4, D-12	178,604.47	13,583.00
		<u>2,141,682.72</u>	<u>1,313,250.49</u>	Rent Overpayments	D-9	7,172.80	5,906.83
				Prepaid Sewer Charges	D-10	8,599.61	6,619.27
Receivables With Full Reserves:						441,073.50	363,282.50
Consumer Accounts Receivable	D-8	282,879.64	342,932.56	Reserve for Receivables	Reserve	284,729.64	343,172.56
Sewer Utility Liens	D-11	1,850.00	240.00	Fund Balance	D-1	1,700,609.22	949,967.99
		<u>284,729.64</u>	<u>343,172.56</u>				
Total Operating Fund		<u>2,426,412.36</u>	<u>1,656,423.05</u>	Total Operating Fund		<u>2,426,412.36</u>	<u>1,656,423.05</u>
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-5	158,316.02		Improvement Authorizations			
Fixed Capital	D-13	3,253,953.09	3,253,953.09	Funded	D-17	65,544.89	149,488.70
Fixed Capital - Authorized and Uncompleted	D-15	297,384.74	297,384.74	Unfunded	D-17	144,968.59	147,302.24
		<u>3,709,653.85</u>	<u>3,551,337.83</u>	Encumbrances Payable	D-17	64,577.00	
				Capital Improvement Fund	D-18	54,000.00	34,000.00
Total Capital Fund		<u>3,709,653.85</u>	<u>3,551,337.83</u>	Down Payment on Improvements	D-19	732.00	732.00
				Due to Sewer Operating Fund	D-20	449,428.71	450,022.28
				Reserve for Amortization	D-21	2,580,727.78	2,580,727.78
				Deferred Reserve for Amortization	D-16	346,398.52	188,082.50
				Fund Balance	D-2	3,276.36	982.33
				Total Capital Fund		<u>3,709,653.85</u>	<u>3,551,337.83</u>
		<u>\$ 6,136,066.21</u>	<u>\$ 5,207,760.88</u>			<u>\$ 6,136,066.21</u>	<u>\$ 5,207,760.88</u>

Bonds and Notes Authorized but not issued at December 31, 2018 and 2017 were \$624,211.53 and \$782,527.55, respectively. (Exhibit D-22)

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND
 CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance	D-3	\$ 158,316.02	\$
Sewer Rents	D-3	2,801,177.70	2,635,234.71
Miscellaneous	D-3	378,165.13	140,970.71
Canellation of Accrued Interest Payable			1,190.00
Unexpended Balance of Approp. Reserves	D-12	<u>329,614.42</u>	<u>29,253.44</u>
Total Revenues		<u>3,667,273.27</u>	<u>2,806,648.86</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	225,000.00	225,000.00
Other Expenses	D-4	2,331,800.00	2,179,100.00
Capital Improvements	D-4	20,000.00	50,000.00
Statutory Expenditures and Deferred Charges	D-4	<u>181,516.02</u>	<u>23,200.00</u>
Total Expenditures		<u>2,758,316.02</u>	<u>2,477,300.00</u>
Excess in Revenues		908,957.25	329,348.86
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>949,967.99</u>	<u>620,619.13</u>
		1,858,925.24	949,967.99
Decreased by:			
Utilized as Anticipated Revenue in Current Fund			
Utilization as Anticipated Revenue	D- 1	<u>158,316.02</u>	<u>-</u>
Balance - December 31	D	<u>\$ 1,700,609.22</u>	<u>\$ 949,967.99</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, 2018

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 982.33
Increased by:		
Improvement Authorizations Cancelled	D-17	<u>\$ 2,294.03</u>
Balance - December 31, 2018	D	<u><u>\$ 3,276.36</u></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, 2018

	<u>REF.</u>	2018 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance	D-1	\$ 158,316.02	\$ 158,316.02	\$
Sewer Use Charges	D-1	2,585,000.00	2,801,177.70	216,177.70
Miscellaneous	D-1	<u>15,000.00</u>	<u>378,165.13</u>	<u>363,165.13</u>
		<u>\$ 2,758,316.02</u>	<u>\$ 3,337,658.85</u>	<u>\$ 579,342.83</u>
	<u>Ref.</u>	D-4		
Analysis of Realized Revenues:				
Analysis of Sewer Use Charges:				
Sewer Use Collections	D-8		\$ 2,789,090.18	
Overpayments Applied	D-8		5,468.25	
Prepays Applied	D-8		<u>6,619.27</u>	
			<u>\$ 2,801,177.70</u>	
Analysis of Miscellaneous Revenues:				
Connection Fees			\$ 368,322.50	
Interest on Investments			<u>9,842.63</u>	
	D-5		<u>\$ 378,165.13</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, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operating:						
Salaries and Wages	\$ 225,000.00	\$ 225,000.00	\$ 151,469.79	\$ 64,434.83	\$ 9,095.38	\$
Other Expenses	327,000.00	327,000.00	164,354.92	114,169.64	48,475.44	
Share of Costs	2,000,000.00	2,000,000.00	1,810,874.20		189,125.80	
Reserve for Retirement	4,800.00	4,800.00	4,800.00			
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00			
Deferred Charges:						
Deferred Unfunded Ordinances	158,316.02	158,316.02	158,316.02			
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	<u>\$ 2,758,316.02</u>	<u>\$ 2,758,316.02</u>	<u>\$ 2,333,014.93</u>	<u>\$ 178,604.47</u>	<u>\$ 246,696.62</u>	<u>\$ -</u>
<u>Ref.</u>	D-3		D-1, D-5	D, D-1	D, D-1	D-1

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY FUND
 COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	E-4	\$ <u>765,780.23</u>	\$ <u>452,949.37</u>	Liabilities:			
		<u>765,780.23</u>	<u>452,949.37</u>	Appropriation Reserves	E-3	\$ 134,409.38	\$ 210,243.86
				Reserve for Encumbrances	E-3	<u>99,298.88</u>	<u>32,926.78</u>
						233,708.26	243,170.64
				Fund Balance	E-1	<u>532,071.97</u>	<u>209,778.73</u>
Total Operating Fund		\$ <u><u>765,780.23</u></u>	<u><u>452,949.37</u></u>	Total Operating Fund		\$ <u><u>765,780.23</u></u>	<u><u>452,949.37</u></u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND
 CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Parking Meters	E-2	\$ 662,142.70	\$ 688,235.33
Parking Permits	E-2	33,803.38	29,045.25
Parking Deck Fees			12,800.00
Miscellaneous	E-2	4,570.94	1,198.15
Unexpended Balance of Approp. Reserves	E-5	<u>231,276.22</u>	<u> </u>
Total Revenues		<u>931,793.24</u>	<u>731,278.73</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	E-3	175,000.00	130,000.00
Other Expenses	E-3	407,500.00	364,500.00
Statutory Expenditures and Deferred Charges	E-3	<u>27,000.00</u>	<u>27,000.00</u>
Total Expenditures		<u>609,500.00</u>	<u>521,500.00</u>
Excess in Revenues		322,293.24	209,778.73
 <u>FUND BALANCE</u>			
Balance - January 1	E	<u>209,778.73</u>	<u> </u>
Balance - December 31	E	<u>\$ 532,071.97</u>	<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, 2018

	<u>REF.</u>	2018 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Parking Meters	E-1,E-4	\$ 575,000.00	\$ 662,142.70	\$ 87,142.70
Parking Permits	E-1,E-4	24,500.00	33,803.38	9,303.38
Parking Deck Fees	E-1,E-4	10,000.00		(10,000.00)
Miscellaneous	E-1,E-4		4,570.94	4,570.94
		<u>\$ 609,500.00</u>	<u>\$ 700,517.02</u>	<u>\$ 91,017.02</u>

Ref. E-3

Analysis of Realized Revenues:

Analysis of Parking Meters:

Parking Meters - Parking Utility	E-4	\$ <u>662,142.70</u>
		\$ <u>662,142.70</u>

Analysis of Miscellaneous Revenues:

Interest on Investments	E-4	\$ <u>4,570.94</u>
		\$ <u>4,570.94</u>

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, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operating:						
Salaries and Wages	\$ 175,000.00	\$ 175,000.00	\$ 92,386.16	\$ 53,589.24	\$ 29,024.60	\$
Other Expenses	407,500.00	407,500.00	264,405.58	45,709.64	97,384.78	
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.)	<u>15,000.00</u>	<u>15,000.00</u>	<u>7,000.00</u>		<u>8,000.00</u>	
Total Parking Utility Appropriations	<u>\$ 609,500.00</u>	<u>\$ 609,500.00</u>	<u>\$ 375,791.74</u>	<u>\$ 99,298.88</u>	<u>\$ 134,409.38</u>	<u>\$ -</u>
<u>Ref.</u>	E-2		E-1,E-4	E,E-1	E, E-1	

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
 PUBLIC ASSISTANCE TRUST FUND
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

REF.

<u>ASSETS:</u>		<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Due to/from Trust Other Fund - PATF 1	F-1	<u>\$ 25,533.60</u>	<u>\$ 25,533.60</u>
<u>LIABILITIES AND RESERVES:</u>			
Reserve for Public Assistance: Public Assistance Trust Fund I	F-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, 2018 AND 2017

	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>
Governmental Fixed Assets:		
Land	\$ 10,571,500.00	\$ 10,571,500.00
Buildings/Improvements	10,498,600.00	10,498,600.00
Equipment	<u>8,181,487.00</u>	<u>7,495,207.00</u>
Total Governmental Fixed Assets	<u>\$ 29,251,587.00</u>	<u>\$ 28,565,307.00</u>
Investment in Governmental Fixed Assets	<u>\$ 29,251,587.00</u>	<u>\$ 28,565,307.00</u>

Notes: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

Length of Service Awards Program (LOSAP)

Financial reporting standards established by the DLGS exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the Borough's LOSAP program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the members of the volunteer fire company and volunteer first aid and rescue squad, is not reported as part of the Borough's basic financial statements. As the LOSAP Plan's assets remain the property of the Borough until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Borough's basic financial statements. See Note 11 regarding the availability of LOSAP Plan financial information.

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.

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

Disclosures About OPEB Liabilities - With the implementation of GASB 75 for disclosure purposes, the Borough has included information for OPEB (Postemployment Benefits Other Than Pensions) liabilities relating to healthcare benefits provided to its retirees within the Notes to the Financial Statements and the accompanying required supplementary information, if applicable. 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 OPEB liability of the defined benefit healthcare plans in which its retirees are enrolled. GAAP requires the recognition of the OPEB 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.

Recent Accounting Standards

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.

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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB issued Statement No. 88 "Certain Disclosures Relate to Debt, Including Direct Borrowings and Direct Placements" in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB issued Statement No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61" in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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 2017 financial statements to conform with classifications used in fiscal year 2018.

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

	2018	2017
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 17,520,000.00	\$ 16,775,000.00
S.C.I.A. Capital Leases	1,719,019.55	1,210,997.60
NJEIT Loans	3,943,224.00	3,943,224.00
Net Issued	23,182,243.55	21,929,221.60
<u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	1,103,068.83	1,628,293.83
Sewer Utility		
Bonds and Notes	624,211.53	782,527.55
Total Authorized But Not Issued	1,727,280.36	2,410,821.38
Net Bonds and Notes Issued and Authorized but not Issued	\$ 24,909,523.91	\$ 24,340,042.98

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<u>General Debt:</u>		
\$3,360,000, County Guaranteed Governmental Loan Revenue Bonds Series 2010B in annual installments of \$190,000 to \$265,000 through Oct. 1, 2024, interest at 3.00% to 4.00 %.	\$ 1,515,000.00	\$ 1,780,000.00
\$3,640,000, County Guaranteed Governmental Loan Revenue Bonds Series 2010C in annual installments of \$210,000 to \$285,000 through Oct. 1, 2024, interest at 5.00% to 5.25%.	1,635,000.00	1,920,000.00
\$5,340,000, General Improvement Bonds of 2012, due in annual installments of \$395,000 to \$475,000 through Sept. 15, 2026, interest at 2.00% to 2.375%	3,395,000.00	3,780,000.00
\$3,260,000, County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2012		685,000.00
\$1,465,000, County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2010C in annual installments of \$250,000 to \$295,000 through Aug. 1, 2021, interest at 4.00 %.	840,000.00	1,140,000.00
\$6,770,000, General Obligation Bonds of 2016, due in annual installments of \$350,000 to \$600,000 through Feb. 15, 2031, interest at 1.375% to 3.000%	6,145,000.00	6,470,000.00
Bond Anticipation Notes - Mature 11/08/18 @ 2.00%		1,000,000.00
Bond Anticipation Notes - Mature 11/06/19 @ 3.00%	<u>3,990,000.00</u>	<u> </u>
Subtotal - Serial Bond Debt and BAN's for Capital Projects Outstanding December 31	<u>\$ 17,520,000.00</u>	<u>\$ 16,775,000.00</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<u>Loans Outstanding:</u>		
SCIA Capital Equipment Loan - 2008	\$ -	\$ 65,270.14
SCIA Capital Equipment Lease - 2014	116,075.65	191,463.14
SCIA Capital Equipment Lease - 2015	117,160.12	173,929.90
SCIA Capital Equipment Lease - 2016 - Parking Lot Project	780,000.00	-
SCIA Capital Equipment Lease - 2016 - Fire Truck	705,783.78	780,334.42
NJEIT Loan - 2016	<u>3,943,224.00</u>	<u>3,943,224.00</u>
Subtotal - Loans Outstanding	<u>5,662,243.55</u>	<u>5,154,221.60</u>
Total Outstanding Debt	<u><u>\$ 23,182,243.55</u></u>	<u><u>\$ 21,929,221.60</u></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>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$14,755,000.00	\$14,755,000.00	
Sewer Utility Debt	624,211.53	624,211.53	
General Debt	<u>24,285,312.38</u>	<u>1,361,070.09</u>	<u>\$22,924,242.29</u>
	<u>\$39,664,523.91</u>	<u>\$16,740,281.62</u>	<u>\$22,924,242.29</u>

Net Debt \$22,924,242.29 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,246,259,343.00 = 1.84%

<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%

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

	<u>2018</u>	<u>2017</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$43,619,077.01</u>	<u>\$42,684,925.91</u>
	<u>22,924,242.29</u>	<u>22,349,121.55</u>
Remaining Borrowing Power	<u>\$20,694,834.72</u>	<u>\$20,335,804.36</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

Calculation of "Self-Liquidating Purpose"

Sewer Utility Per N.J.S.A. 40A: 2-45

	<u>2018</u>	<u>2017</u>
Cash Receipts From Fees, Rents or Other Charges for the year	\$ 3,337,658.85	\$ 2,806,648.86
Deductions:		
Operating and Maintenance Costs	2,758,316.02	2,477,300.00
Debt Service	<u> </u>	<u> </u>
Excess in Revenue	<u>\$ 579,342.83</u>	<u>\$ 329,348.86</u>

C. Schedule of General Capital Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding at December 31, 2018

Calendar <u>Year</u>	<u>General</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	600,000.00	9,000.00	609,000.00
Total	<u>\$ 13,530,000.00</u>	<u>\$ 1,938,790.00</u>	<u>\$ 15,468,790.00</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 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 \$296,083.52 for the acquisition of 5 year capital equipment. The loan obligation is due in five bi-annual installments commencing with a principal payment of \$30,390.38 for 2016 and remaining principal payments spread over a four year period with amounts ranging from \$36,786.98 through \$39,166.26 and an interest rate of 2.10%.

Capital Equipment and Improvement Revenue Bonds, Series 2015

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

Capital Equipment and Improvement Revenue Bonds, Series 2016

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

Capital Equipment and Improvement Revenue Bonds, Series 2016

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

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

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2018 and 2017 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 and 2017 as follows:

	<u>Fund Balance</u> <u>December 31, 2018</u>	<u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$7,896,304.75	\$1,850,000.00
Sewer Utility Fund	1,700,609.22	165,000.00
Parking Utility Fund	532,071.97	0.00
	<u>Fund Balance</u> <u>December 31, 2017</u>	<u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$5,819,035.56	\$1,900,000.00
Sewer Utility Fund	949,967.99	158,316.02
Parking Utility Fund	209,778.73	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, 2018 and 2017, the book value of the Borough's deposits were \$18,325,828.57 and \$15,374,363.42 and the bank balances of the Borough's cash and deposits amounted to \$18,559,724.60 and \$15,233,064.56, respectively. Of the bank balance, during 2018 and 2017, \$408,177.80 and \$659,153.76 was FDIC insured and \$18,151,546.80 and \$14,573,910.80 were GUDPA insured.

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

Deposits (Cont'd.)

At December 31, 2018, the Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

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

As of December 31, 2018, 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 & Cash Equivalents:</u>	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>
Change Fund	\$450.00	\$450.00
Demand Accounts	<u>18,325,378.57</u>	<u>15,373,913.42</u>
Total Cash & Cash Equivalents	<u>\$18,325,828.57</u>	<u>\$15,374,363.42</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 1st and November 1st 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 1st and May 1st. 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 1st 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 1st 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, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	<u>254,780</u>	<u>254,685</u>
Total	<u>430,273</u>	<u>425,459</u>
Contributing Employers	1,708	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, 2018 and 2017 the Borough's total payroll for all employees was \$6,428,028 and \$5,744,103, respectively. Total PERS covered payroll was \$1,916,916 and \$1,977,508, respectively. 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 P.L. 2011, C. 78, 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 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. 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, 2018 and 2017 were \$296,371 and \$252,409, respectively. Borough Contributions are due and payable on April 1st 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, 2018 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>2018</u>	<u>2017</u>
Normal Cost	\$ 35,746	\$ 35,997
Amortization of Accrued Liability	<u>222,598</u>	<u>183,193</u>
Total Pension	258,344	219,190
NCGI Premiums	<u>13,238</u>	<u>10,939</u>
Total Regular Billing	271,582	230,129
LTD Expense	2,903	668
Additional Billings:		
Ch. 19, P.L. 2009	<u>21,886</u>	<u>21,612</u>
Total PERS Payment	<u>\$ 296,371</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 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th 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 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

NOTES TO FINANCIAL STATEMENTS

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, 2018, the PERS reported a liability of \$19,689,501,539 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 \$5,434,781 or .027602%. At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$6,824,311 or .029316%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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%

Preretirement 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 Conduent modified 2014 projection scale. Postretirement 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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, 2017 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% at June 30, 2018) 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.

NOTES TO FINANCIAL STATEMENTS

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, 2018 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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 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 collective net pension liability of PERS participating employers as of June 30, 2018, 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 (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
State	\$27,413,044,035	\$23,704,298,093	\$20,597,322,253
Local	<u>24,757,279,564</u>	<u>19,689,501,539</u>	<u>15,437,959,879</u>
PERS Plan Total	<u>\$52,170,323,599</u>	<u>\$43,393,799,632</u>	<u>\$36,035,282,132</u>
Borough's proportionate share of the net pension liability	<u>\$6,833,611</u>	<u>\$5,434,781</u>	<u>\$4,261,252</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 the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2018 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$30,434,600,657	\$42,431,573,511	\$72,866,174,168
Plan Fid. Net Position	<u>6,730,302,564</u>	<u>22,742,071,972</u>	<u>29,472,374,536</u>
Net PERS Pension Liability	<u>\$23,704,298,093</u>	<u>\$19,689,501,539</u>	<u>\$43,393,799,632</u>

At December 31, 2018, the Borough's deferred outflow of resources and deferred inflow of resources related to PERS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expended and actual experience	\$103,642	\$28,023
Change in assumptions	895,562	1,737,754
Net difference between projected and actual earnings		
On pension plan investments		50,978
Changes in proportion and differences between Borough		
Contributions and proportionate share of contributions	472,376	748,170
Borough contributions subsequent to the measurement date	<u>296,371</u>	<u>0</u>
Total	<u>\$1,767,951</u>	<u>\$2,564,925</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$296,371 is reflected above as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date. Other 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>
2019	(\$124,968)
2020	(168,323)
2021	(328,909)
2022	(322,241)
2023	<u>(148,904)</u>
Total	<u>(\$1,093,345)</u>

Additional Information

Collective balances at June 30, 2018	
Collective deferred outflows of resources	\$4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability – Local group	19,689,501,539
Borough's Proportion	0.02760243%

Note 7. PENSION PLANS (CONT'D.)

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	<u>41,517</u>	<u>40,789</u>
Total	<u>85,311</u>	<u>83,847</u>
Contributing Employers –	586	586

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

For the year ended December 31, 2018 and 2017 the Borough’s total payroll for all employees was \$6,428,028 and \$5,744,103, respectively. Total PFRS covered payroll was \$3,403,842 and \$3,249,078, respectively. 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.

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

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

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 contribution rate was 10% in State fiscal year 2018. 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, 2018 and 2017 were \$936,053 and \$841,016, respectively. Borough Contributions are due and payable on April 1st 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>2018</u>	<u>2017</u>
Normal Cost	\$ 277,992	\$ 271,678
Amortization of Accrued Liability	<u>578,710</u>	<u>491,796</u>
Total Pension	856,702	763,474
NCGI Premiums	<u>36,074</u>	<u>34,699</u>
Total Regular Billing	895,776	798,173
Additional Billings: Ch. 19, P.L. 2009	<u>43,277</u>	<u>42,843</u>
Total PFRS Payment	<u>\$ 936,053</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

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.

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (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 fiscal period in which such payments will become due and payable.

At June 30, 2018, the PFRS reported a net pension liability of \$13,531,648,591 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 \$13,408,002 or 0.0990862418%. 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 of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$15,573,388 or 0.100877%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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%

Preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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.

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

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

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 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 6.51% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, 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, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>At 1% Decrease</u> <u>(5.51%)</u>	<u>At current discount rate</u> <u>(6.51%)*</u>	<u>At 1% increase</u> <u>(7.51%)</u>
State	\$ 5,090,302,750	\$ 4,329,304,276	\$ 3,702,605,881
Local	<u>20,570,435,198</u>	<u>15,369,699,278</u>	<u>11,080,039,474</u>
PFRS Plan Total	<u>\$25,660,737,948</u>	<u>\$19,699,003,554</u>	<u>\$14,782,645,355</u>
Borough's proportionate share of the net pension liability	<u>\$20,382,471</u>	<u>\$13,408,002</u>	<u>\$10,978,795</u>

*- Local Share includes \$1,838,050,687 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, 2018 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,837,506,505	\$40,960,053,149	\$46,797,559,654
Plan Fiduciary Net Position	<u>1,508,202,229</u>	<u>25,590,353,871</u>	<u>27,098,556,100</u>
Net PFRS Pension Liability	<u>\$ 4,329,304,276</u>	<u>\$15,369,699,278</u>	<u>\$19,699,003,554</u>

At December 31, 2018, the Borough's deferred outflow of resources and deferred inflow of resources related to PFRS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows</u> <u>Of Resources</u>	<u>Deferred Inflows</u> <u>Of Resources</u>
Difference between expended and actual experience	\$136,409	\$55,485
Change in assumptions	1,150,897	3,436,239
Net difference between projected and actual earnings		
On pension plan investments		73,354
Changes in proportion and differences between Borough		
Contributions and proportionate share of contributions	315,030	324,667
Borough contributions subsequent to the		
measurement date	<u>936,053</u>	<u>-</u>
Total	<u>\$2,538,389</u>	<u>\$3,889,745</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. PENSION PLANS (CONT'D.)

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

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$936,053 is reflected above as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date. 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>
2019	\$106,219
2020	(389,397)
2021	(1,051,939)
2022	(698,328)
2023	(253,964)
 Total	 <u>\$(2,287,409)</u>

Additional Information

Collective balances at June 30, 2018	
Collective deferred outflows of resources	\$1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability – Local group	15,369,699,278
 Borough’ Proportion	 0.0990862418%

Special Funding Situation

The Borough is responsible for the actuarially determined annual contributions to the PFRS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for the Local employers of the PFRS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this relationship as a “special funding situation”, and the State of New Jersey is defined as a “non-employer contributing entity”.

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the year ended June 30, 2018 was \$108,857,000. The portion of that contribution allocated to the Borough was \$107,862, or 0.0990862%. The June 30, 2018 State special funding situation pension expense of \$217,714,180 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$1,838,050,687 at June 30, 2018 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Borough’s allocated shares of the special funding situation pension expense for the year ended June 30, 2018 and its share of the special funding situation NPL at that date were \$215,725 and \$1,821,255, 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, 2018 and 2017 the Borough’s total payroll for all employees was \$6,428,028 and \$5,744,103, respectively. Total DCRP covered payroll was \$26,510 and \$29,501, respectively. 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, 2018 were \$1,047 and \$1,458, respectively and for the year ended December 31, 2017 were \$885 and \$1,623, 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	\$ 5,434,781	\$1,471,580	\$2,564,925	\$139,249
PFRS	<u>13,408,002</u>	<u>1,602,336</u>	<u>3,889,745</u>	<u>1,033,996</u>
Total	<u>\$ 18,842,783</u>	<u>\$3,073,916</u>	<u>\$6,454,670</u>	<u>\$1,173,245</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.

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, 2018 were \$6,196.08, which equaled the required contributions for the year. There was 1 retired participant eligible at December 31, 2018.

Plan Description and Benefits Provided:

P.L. 1987, c.384 and P.L. 1990, c.6. required the Public Employees Retirement System (PERS) to fund post-retirement medical benefits for those members who retire after accumulating a minimum of 25 years of credited service or on a disability retirement. Pursuant to P.L. 2007, c.103, separate funds outside the pension plans were established for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

NOTES TO FINANCIAL STATEMENTS

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Coverage is provided at no cost to members of the PERS that had retired on a disability retirement or retired after accumulating 25 years of creditable service prior to June 28, 2011 and to those who had a minimum of 20 years of creditable service on June 28, 2011 and who subsequently retire after accumulating 25 years of credited service or on a disability retirement. Employees who had less than 20 years of creditable service on June 28, 2011 and subsequently retire after accumulating a minimum of 25 years of creditable service are required by Chapter 78, P.L. 2011 to contribute a percentage of the cost of their health care coverage in retirement. The percentage of the premium that will be the responsibility of the retiree is determined based upon the retiree's annual retirement benefit and level of coverage. Chapter 78 retirees opting for single will make contributions that escalate from 4.5% for annual retirement allowance under \$20,000 to 35.0% for annual retirement allowances exceeding \$110,000 per annum. Chapter 78 retirees opting for family coverage will range from 3.43% for annual retirement allowances under \$25,000 per annum to 35.0% for annual retirement allowances exceeding \$110,000 per annum.

Total OPEB Liability

Special Funding Situation

The State of New Jersey's Total OPEB Liability for special funding situation was \$6,213,844,492 and \$8,695,413,135 at June 30, 2018 and 2017, respectively.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

The amount of the State's proportionate share of the net OPEB liability for special funding situation attributable to employees and retirees of the Borough of Somerville was \$13,557,801 and \$19,368,250 at June 30, 2018 and 2017, respectively.

Nonspecial Funding Situation:

The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$9,452,773,649 and \$11,720,375,604 at June 30, 2018 and 2017, respectively.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Borough of Somerville was \$5,294,690 and \$7,005,270 at June 30, 2018 and 2017, respectively. These allocated liabilities represent 0.033796% and 0.034313% of the State's Total Non-employer OPEB Liability for June 30, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Components of Net OPEB Liability – The components of the collective net OPEB liability for PERS, including the State of New Jersey, at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$15,981,103,227	\$20,629,044,656
Plan Fiduciary Net Position	<u>314,485,086</u>	<u>213,255,917</u>
Net OPEB Liability	<u>\$15,666,618,141</u>	<u>\$20,415,788,739</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	1.03%

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2018 and 2017 was determined by an actuarial valuation as of June 30, 2017 and 2016, which was rolled forward to June 30, 2018 and 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%
Salary Increases*:	
Through 2026	1.65%-8.98%
Thereafter	2.65%-9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

NOTES TO FINANCIAL STATEMENTS

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Healthcare Trend Assumptions:

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate:

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB 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:

	1% Decrease <u>(2.87%)</u>	At Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total Net OPEB Liability	\$18,381,085,096	\$15,666,618,141	\$13,498,373,388
Borough's Share	\$6,212,072	\$5,294,690	\$4,561,910

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trent Rate	1% Increase
Total Net OPEB Liability	\$13,068,471,450	\$15,666,618,141	\$19,029,006,023
Borough's Share	\$4,416,621	\$5,294,690	\$6,431,043

NOTES TO FINANCIAL STATEMENTS

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience		\$1,075,011
Changes of assumptions		1,343,068
Changes in proportion		<u>1,034,925</u>
Net difference between projected and actual investment earnings on OPEB plan investments	<u>\$ 2,798</u>	
Total	<u>\$2,798</u>	<u>\$3,453,004</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$(523,629)
2020	(523,629)
2021	(523,629)
2022	(523,930)
2023	(524,404)
Thereafter	<u>(830,985)</u>
Total	<u>\$(3,450,206)</u>

NOTES TO FINANCIAL STATEMENTS

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Changes in the Total and Net Plan OPEB Liability:

	<u>2018</u>	<u>2017</u>
Total OPEB Liability - Beginning (Based on 6/30 Measurement Date)	\$ 20,629,044,656	\$ 21,867,849,603
Changes for the year:		
Service cost	896,235,148	1,064,525,862
Interest cost	764,082,232	648,423,508
Difference between expected and actual experience	(3,626,384,047)	
Changes in assumptions	(2,314,240,675)	(2,587,850,974)
Contributions: Member	53,987,166	53,585,505
Gross benefit payments	(421,621,253)	(417,488,848)
Net changes	<u>(4,647,941,429)</u>	<u>(1,238,804,947)</u>
Total OPEB Liability - Ending (Based on 6/30 Measurement Date)	<u>\$ 15,981,103,227</u>	<u>\$ 20,629,044,656</u>

Plan Fiduciary Net Position

Contributions: Employer	\$ 421,194,662	\$ 381,813,324
Contributions: Non-Employer contributing entities	53,548,285	53,064,311
Contributions: Member	53,987,166	53,585,505
Net investment income	2,320,422	791,049
Gross benefit payments	(421,621,253)	(417,488,848)
Administrative expenses	(8,200,113)	(8,894,576)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>\$ 101,229,169</u>	<u>\$ 62,870,765</u>
Plan Fiduciary Net Position (Beginning)	<u>\$ 213,255,917</u>	<u>\$ 150,385,152</u>
Plan Fiduciary Net Position (Ending)	\$ 314,485,086	\$ 213,255,917
Net OPEB Liability (Ending)	\$ 15,666,618,141	\$ 20,415,788,739
Plan Fiduciary Net Position as % of OPEB Liability	2.0%	1.0%
Covered Employee Payroll	\$ 4,646,915,753	\$ 4,336,016,376
Net OPEB Liability as a Percentage of Payroll	337%	471%

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 \$1,712,613 and \$1,600,121 for 2018 and 2017. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

Note 10: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the 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.

Note 10: RISK MANAGEMENT (CONT'D.)

At December 31, 2018, the Fund reported for all years combined, total assets of \$48,828,931, liabilities and expenses of \$35,421,697, which includes loss reserves of \$34,910,768 and net position for all years of \$13,407,234.

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 2018 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>
2018	\$4,296.15	\$7,358.43	\$0.00	\$63,460.85
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

Note 11: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Borough has authorized a Length of Service Award Program (LOSAP) pursuant to section 457 (e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. The Borough sponsors the Program, which is administrated by a private contractor. The LOSAP Program is subject to an annual review in accordance with AICPA standards for attestation engagements.

Note 12: 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, 2018, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2018, the Borough of Somerville was a party to various construction contracts and commitments that totaled \$190,442 in its General Capital Fund. Parks and Playgrounds with total commitments of \$31,925; Roads and Sidewalks with total commitments of \$39,495; Master Plan/Redevelopment Plan with total commitments of \$87,250; DPW with total commitments of \$8,150; Police with total commitments of \$8,416; Buildings and Grounds with total commitments of \$8,916; and Purchase of a Fire Truck with total commitments of \$6,290.

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 13: 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 14: INTERFUNDS

The following interfund balances remained on the balance sheet date at December 31, 2018:

Fund:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 16,977.00	\$ 968,399.60
Grant Fund	741,310.14	
Animal Control Fund		16,977.00
Trust Other Fund	229,510.42	39,533.60
Public Assistance Fund	25,533.60	
Sewer Operating Fund	461,007.75	
Sewer Capital Fund	<u> -</u>	<u>449,428.71</u>
Total	<u>\$1,474,338.91</u>	<u>\$1,474,338.91</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 15: 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 2018 were \$517,329.82 and taxes in 2018 that otherwise would have been due on these long-term tax exemptions amounted to \$1,212,592.79, based upon the assessed valuations of the long-term tax exemptions properties.

NOTES TO FINANCIAL STATEMENTS

Note 16: GOVERNMENTAL FIXED ASSETS

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

	Balance <u>Dec. 31, 2017</u>	Balance <u>Dec. 31, 2018</u>
Land	\$10,571,500	\$10,571,500
Buildings/Improvements	10,498,600	10,498,600
Equipment	<u>7,495,207</u>	<u>8,181,487</u>
	<u>\$28,565,307</u>	<u>\$29,251,587</u>

Note 17: SUBSEQUENT EVENTS

A. The following bond ordinances were authorized:

The Borough appropriated \$1,070,000 therefore authorized the issuance of \$1,016,500 Bond and/or Notes dated May 30, 2019, for Various Improvements.

The Borough appropriated \$171,000 therefore authorized the issuance of \$171,000 Bond and/or Notes dated May 30, 2019, for Various Sewer Utility Improvements.

The Borough appropriated \$250,000 therefore authorized the issuance of \$250,000 Bond and/or Notes dated June 17, 2019, for Site Remediation of a Portion of the Landfill. This is an amendment to Ordinance 2482.

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



**PART II
SINGLE AUDIT SECTION**

**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 AUDITORS' 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, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated August 21, 2019. 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.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
August 21, 2019

HODULIK & MORRISON, P.A.

A division of



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal and State Program

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 and state programs for the year ended December 31, 2018. The Borough of Somerville's major federal and state 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 the requirements of laws, regulations, and grants applicable to the federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Somerville's major federal and state 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 Finance, Department of Education, State of New Jersey; audit requirements as prescribed by 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), Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants and State Aid. Those standards, Uniform Guidance and New Jersey OMB's Circular 15-08 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 or state 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 and state program. However, our audit does not provide a legal determination of the Borough of Somerville's compliance.

Opinion on Each Major Federal and State 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 and state programs for the year ended December 31, 2018.

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 and state 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 and state 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 and state 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 and state 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 and state 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 and New Jersey OMB 15-08. Accordingly, this report is not suitable for any other purpose.



HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
August 21, 2019

Schedule of Expenditures of Federal Awards and
State Financial Assistance

Borough of Somerville
 County of Somerset
 Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Schedule A

Federal Funding Department	CFDA Number	Total Award	Pass Through Account No.	Grant Period	Cash Receipts	Expenditures	Memo Cumulative at December 31, 2018
Indirect Awards:							
Passed Through County of Somerset:							
Community Development Block Programs:							
John Long Park	14.218	\$ 63,295		2015	\$ 63,295.00	\$ 57,905.00	\$ 63,295.00
					<u>63,295.00</u>	<u>57,905.00</u>	<u>63,295.00</u>
Direct Programs:							
Department of Justice							
Federal Bulletproof Partnership Program	16.607	1,725		2014		1,725.05	1,725.05
					<u>-</u>	<u>1,725.05</u>	<u>1,725.05</u>
Department of Environmental Protection							
NJ Environmental Infrastructure Trust - 2016 - Trust	66.458	3,943,224.0		2016	1,163,570.00	1,133,334.04	3,322,228.52
					<u>1,163,570.00</u>	<u>1,133,334.04</u>	<u>3,322,228.52</u>
U.S. Department of Housing and Urban Development:							
Section 8 Program:							
Low Income Housing Assistance Program - Vouchers	14.871	2,297,493	NJ39V097013/026	2018	2,297,492.90	2,297,492.90	2,297,492.90
					<u>2,297,492.90</u>	<u>2,297,492.90</u>	<u>2,297,492.90</u>
Total Expenditures of Federal Awards					<u>\$3,524,357.90</u>	<u>\$3,490,456.99</u>	<u>\$5,684,741.47</u>

Footnotes:

Grant Award/Amount Reflects Current Year Awards

NOTE: See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

STATE FUNDING <u>DEPARTMENT AND DESCRIPTION</u>	STATE ACCOUNT <u>NUMBER</u>	GRANT <u>PERIOD</u>	PROGRAM OR AWARD <u>AMOUNT</u>	RECEIPTS OR REVENUE <u>RECOGNIZED</u>	<u>EXPENDITURES</u>	MEMO CUMULATIVE <u>EXPENDITURES</u>
Direct Funding:						
Dept. of Environmental Protection						
2016 Clean Communities Program	042-4900-765-004-16	01/01/16-12/31/16	\$ 26,928.97	\$	\$ 12,553.87	\$ 19,822.27
2017 Clean Communities Program	042-4900-765-004-17	01/01/17-12/31/17	22,877.85		13,161.83	13,161.83
2018 Clean Communities Program	042-4900-765-004-18	01/01/18-12/31/18	21,892.93	21,892.93		
Recycling Tonnage Grant	042-4910-100-224-16	01/01/16-12/31/16	15,456.23		398.73	10,511.12
Recycling Tonnage Grant	042-4910-100-224-17	01/01/17-12/31/17	14,419.51		14,419.51	14,419.51
Recycling Tonnage Grant	042-4910-100-224-18	01/01/18-12/31/18	20,811.67	20,811.67	20,811.67	20,811.67
Green Acres Loan		01/01/18-12/31/18	573,355.00		2,228.33	2,228.33
Hazardous Discharge Site Remediation Fund (HDSRF)	P38794,P39541, P40958	Infinite	12,285,890.00	2,964,911.61	2,963,718.00	9,840,261.24
Dept. of Health						
Alcohol Education & Rehab. Fund	098-9735-760-001-16	01/01/16-12/31/16	1,692.08		321.00	1,321.00
Alcohol Education & Rehab. Fund	098-9735-760-001-18	01/01/18-12/31/18	7,469.71	7,469.71		
Dept. of Law/Pub. Safety						
Body Armor Replacement Fund	066-1020-718-001-18	01/01/18-12/31/18	2,990.70	2,990.70		
Dept. of Transportation						
Highway Safety Fund	078-6100-100-051	01/01/18-12/31/18	1,254.63	1,214.98	163.08	163.08
Indirect Funding:						
County of Somerset						
Municipal Alliance Program	082-2000-100-044-16	07/01/15-06/30/16	11,029.36		200.00	7,808.92
Municipal Alliance Program	082-2000-100-044-17	07/01/16-06/30/17	13,786.70	9,681.11	11,233.14	13,723.06
Municipal Alliance Program	082-2000-100-044-18	07/01/17-06/30/18	13,786.70		255.04	255.04
				<u>\$ 3,028,972.71</u>	<u>\$ 3,039,464.20</u>	<u>\$ 9,944,487.07</u>

NOTE: See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET, NEW JERSEY

NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2018

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the modified accrual basis of accounting as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (OCBOA), which differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units and as detailed in the Notes to the Financial Statements. The federal and state award expended amounts included in the respective expenditure schedules do not reflect amounts encumbered, which encumbered amounts are considered as expended as reported in the NJ OCBOA financial statements. In addition, the Borough has elected not to use the 10 percent de minis 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 and state financial reports, where required.

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The federal and state loans outstanding at December 31, 2018, which are not required to reported on the schedules of expenditures of federal and state awards, are as follows:

<u>Loan Program</u>	<u>Total</u>
State of New Jersey EIT -- IBank	\$3,943,224.00

BOROUGH OF SOMERVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Section 1 - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on the financial statements: Unmodified (OCBOA)

Internal Control over financial reporting:

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

2) Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to basic financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

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

2) Significant deficiency(ies) identified? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
<u>14.871</u>	<u>HUD Section 8 Low Income Housing Assistance Program - Vouchers</u>
_____	_____
_____	_____

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

Auditee qualified as low-risk auditee? X Yes No

BOROUGH OF SOMERVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

State 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) Significant deficiency(ies) identified? _____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? _____ Yes X No

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>P38794, P39541, P40958</u>	<u>Hazardous Discharge Site Remediation Fund Municipal Grant Prog - NJEDA</u>
_____	_____
_____	_____
_____	_____

BOROUGH OF SOMERVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule C
Page 3 of 3

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 Awards and State Financial Assistance 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 and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200 and NJ OMB Circular 15-08.

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, 2018

Section 1 – Summary of Prior Year Federal Findings

SUMMARY OF PRIOR YEAR FINDINGS

None

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



**PART III
SUPPLEMENTARY SCHEDULES**

Current Fund

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance - December 31, 2017	A	\$9,595,288.59
Increased by Receipts:		
Taxes Receivable	A-7	40,481,037.46
Prepaid Property Taxes	A-7	268,583.68
Delinquent Taxes	A-7	680,295.96
Due from State of N.J. - Ch. 73, P.L. 1976	A-8	49,940.41
Miscellaneous Revenue Anticipated	A-11	4,352,708.38
Revenue Accounts Receivable	A-11	20,550.82
Miscellaneous Revenue Not Anticipated	A-11	446,405.19
Interfund Loans Received/Returned	A-13	146,083.73
Tax Overpayments	A-15	30,216.98
		<u>46,475,822.61</u>
		56,071,111.20
Decreased by Disbursements:		
Budget Expenditures	A- 3	14,971,144.02
Various Payables and Reserves	A-10	12,459.11
Taxes Payable	A-12	29,754,016.83
Interfund Loans Disbursed/Returned	A-13	212,039.75
2017 Appropriation Reserves	A-14	376,404.47
Tax Overpayments	A-15	25,746.95
		<u>45,351,811.13</u>
Balance - December 31, 2018	A	<u><u>\$10,719,300.07</u></u>

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2018</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>400.00</u>	<u>400.00</u>
	<u>\$400.00</u>	<u>\$400.00</u>
<u>Ref.</u>	A	A

SCHEDULE OF MAINTENANCE LIENS RECEIVABLE
CURRENT FUND

	<u>Ref.</u>	
Balance - December 31, 2017	A	\$ 1,512.00
Balance - December 31, 2018	A	<u>\$ 1,512.00</u>

**SCHEDULE OF TAXES RECEIVABLE AND
ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2017	Added Taxes and Levy	Collected		State Veterans' and Senior Citizens' Deductions	Transferred to Tax Title Liens	Adjustments and Cancelled	Balance Dec. 31, 2018
			Prepaid	01/01/18 - 12/31/18				
2017	\$ 522,736.85	\$	\$	\$ 517,971.66	\$	\$	\$ 4,765.19	\$ -
2018	-	42,446,799.33	1,122,604.91	40,481,037.46	61,606.52	85,776.26	32,461.83	663,312.35
	<u>\$ 522,736.85</u>	<u>\$ 42,446,799.33</u>	<u>\$ 1,122,604.91</u>	<u>\$ 40,999,009.12</u>	<u>\$ 61,606.52</u>	<u>\$ 85,776.26</u>	<u>\$ 37,227.02</u>	<u>\$ 663,312.35</u>
Ref.	A	Below	A	A-4	A-8	A-7	Reserve	A

<u>Prepaid Taxes</u>		A-4	\$ 268,583.68
		A	<u>\$ 268,583.68</u>

Analysis of 2018 Property Tax Levy:

General Purpose Tax:

General Property Tax	\$ 42,353,976.47
Added Taxes	<u>92,822.86</u>
	<u>\$ 42,446,799.33</u>

Tax Title Lien Activity:

Tax Title Lien Balance - December 31, 2017	A	\$ 332,638.00
Transferred from Taxes Receivable	A-7	85,776.26
Interest and Cost on Taxes	Res	9,602.07
Cash Receipts	A-4	<u>(162,324.30)</u>
	A	<u>\$ 265,692.03</u>

Tax Levy:

Local District School Tax Lev.	A-12	\$ 24,024,360.00
Special District Taxes	A-12	589,426.80
County Tax	A-12	5,123,822.00
County Added and Omitted	A-12	<u>11,408.03</u>

Current Year Tax Collections:

N.J. Senior Cit. & Vets.	A-2	\$ 61,606.52
Prepaid Taxes - 2017	A-2	1,122,604.91
Current Year Collections	A-2	<u>40,481,037.46</u>
	A-1	<u>\$ 41,665,248.89</u>

Local Taxes:

Municipal Purposes	A-2	12,609,267.00
Added taxes		<u>88,515.50</u>

Delinquent Collections:

Prior Year Taxes/TTL	A-2	\$ 680,295.96
	A-1	<u>\$ 680,295.96</u>

	<u>12,697,782.50</u>
	<u>\$ 42,446,799.33</u>

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

	<u>REF.</u>		
Balance - December 31, 2017 (Due to)	A		\$ 6,027.07
Increased by:			
Cash Receipts	A-4	49,940.41	
2018 Deductions Disallowed by Collector	A-8	<u>1,559.59</u>	
			<u>51,500.00</u>
			57,527.07
Decreased by:			
Deductions Allowed Per Tax Billings	A-8	51,250.00	
2018 Deductions Allowed by Collector	A-8	<u>11,916.11</u>	
			<u>63,166.11</u>
Balance - December 31, 2018 (Due from)	A		<u>\$ 5,639.04</u>
 <u>Analysis of Realized Revenue for 2018:</u>			
Deductions Allowed Per Tax Billings	A-8	\$ 51,250.00	
2018 Deductions Allowed by Collector	A-8	11,916.11	
2018 Deductions Disallowed by Collector	A-8	<u>1,559.59</u>	
Realized as Revenue - 2018	A-7		<u>\$ 61,606.52</u>

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

	<u>REF.</u>	
Balance - December 31, 2017	A	\$28,500.00
Balance - December 31, 2018	A	<u>\$28,500.00</u>

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	Dec. 31, 2017	Cash Disbursements	Dec. 31, 2018
Accounts Payable:			
Vendor Accounts Payable	\$ 3,024.45	\$ (3,024.45)	\$ -
Subtotal	<u>3,024.45</u>	<u>(3,024.45)</u>	<u>-</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	39,786.46	(9,434.66)	30,351.80
Library Surplus	14,220.00		14,220.00
Subtotal	<u>90,505.91</u>	<u>(9,434.66)</u>	<u>81,071.25</u>
Total	<u>\$ 93,530.36</u>	<u>\$ (12,459.11)</u>	<u>\$ 81,071.25</u>
<u>Ref.</u>	A	A-4	A

CURRENT FUND
SCHEDULE OF NONBUDGET REVENUES & VARIOUS ACCOUNTS RECEIVABLES

		Dec. 31, 2017	Accrued/ Adjustments	Cash Receipts	Dec. 31, 2018
<hr/>					
Revenue Accounts Receivable:	<u>Ref.</u>				
Fines and Costs - Municipal Court		\$ 20,550.82	\$ 34,822.45	\$ (20,550.82)	\$ 34,822.45
		<u>20,550.82</u>	<u>34,822.45</u>	<u>(20,550.82)</u>	<u>34,822.45</u>
<hr/>					
Non - Budget Revenue:					
Administrative Fees			131,535.85	(131,535.85)	-
Assessment Fees			15,269.37	(15,269.37)	-
Homestead Rebate Mail Reimb			614.00	(614.00)	-
Landlord Registration Fees			39,984.72	(39,984.72)	-
Marriage/ Civil Union Ceromnies			225.00	(225.00)	-
Miscellaneous			119,713.09	(119,713.09)	-
2018 FD Annual Aid			12,000.00	(12,000.00)	-
Miscellaneous Fees and Permits			25,421.75	(25,421.75)	-
PILOT			41,796.00	(41,796.00)	-
Playground Equipment Reimb			55,000.00	(55,000.00)	-
Police Reports			3,835.41	(3,835.41)	-
Senior Citizens & Veterans Deduct. - Admin. Fee			1,010.00	(1,010.00)	-
	A-1, A-2,A-4	<u>-</u>	<u>446,405.19</u>	<u>(446,405.19)</u>	<u>-</u>
<hr/>					
Total		<u>\$ 20,550.82</u>	<u>\$ 481,227.64</u>	<u>\$ (466,956.01)</u>	<u>\$ 34,822.45</u>
	<u>Ref.</u>	A	Reserve	A- 4	A
<hr/>					
<u>Analysis of Miscellaneous Revenues:</u>					
Account Receivable Collections	A- 4			\$ 20,550.82	
Current Year Collections	A- 4			<u>4,352,708.38</u>	
Subtotal				4,373,259.20	
Grants Realized - Grant Fund	A- 2			<u>1,108,669.67</u>	
	A- 2			<u>\$5,481,928.87</u>	

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	Dec. 31, 2017	Taxes Levied	Cash Disbursements	Dec. 31, 2018
County - General	\$ -	\$ 5,123,822.00	\$ (5,123,822.00)	\$ -
County - Added & Omitted	-	11,408.03	(11,408.03)	-
Local School Taxes	-	24,024,360.00	(24,024,360.00)	-
Special District Taxes	5,000.00	589,426.80	(594,426.80)	-
Total	\$ 5,000.00	\$ 29,749,016.83	\$ (29,754,016.83)	\$ -
<u>Ref.</u>	A	A-1,A-2,A-7	A-4	A

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	Dec. 31, 2017	Cash Receipts	Cash Disbursements	Adjustments	Dec. 31, 2018
Interfunds:					
Grant Fund	\$ 365,258.82	\$ 146,083.73	\$ 212,039.75	\$ 442,007.34	\$ 741,310.14
Animal Control Trust Fund	(14,420.80)			(2,556.20)	(16,977.00)
Other Trust Fund	215,510.42				215,510.42
Sewer Operating Fund	11,579.04				11,579.04
Interfunds Receivable	(14,420.80)				(16,977.00)
Interfunds Payable	592,348.28				968,399.60
Total	\$ 577,927.48	\$ 146,083.73	\$ 212,039.75	\$ 439,451.14	\$ 951,422.60
	<u>Ref.</u>	<u>A</u>	<u>A-4</u>	<u>A-4</u>	<u>A</u>
Grant Revenue Realized	A-2			\$ (1,108,669.67)	
Grant Appropriations Realized	A-3			1,550,677.01	
Due from Animal Control	Reserve			(2,556.20)	
				<u>\$ 439,451.14</u>	

SCHEDULE OF 2017 APPROPRIATION RESERVES

	BALANCE DEC. 31 <u>2017</u>	ENCUMBERED <u>2017</u>	BALANCE AFTER <u>MODIFICATION</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
Salaries and Wages:					
Inside "CAPS":					
Administrative & Executive	\$ 39,426.68	\$	\$ 39,426.68	\$	\$ 39,426.68
Borough Clerk	5,816.00		5,816.00		5,816.00
Elections	2,332.86		2,332.86		2,332.86
Financial Administration	10,340.24		10,340.24		10,340.24
Assessment of Taxes	90.12		90.12		90.12
Collection of Taxes	10,566.48		10,566.48		10,566.48
Legal Services	1,411.08		1,411.08		1,411.08
Engineering	10,000.00		10,000.00		10,000.00
Public Buildings and Grounds	743.32		743.32		743.32
Fire	4,080.29	86.81	4,167.10	86.81	4,080.29
Uniform Fire Safety Act	6.34		6.34		6.34
Police	239,673.97	5,274.98	244,948.95	5,274.98	239,673.97
Road Repair and Maintenance	73,570.60		73,570.60		73,570.60
Board of Health	1,125.16		1,125.16		1,125.16
Parks and Playgrounds	18,000.00		18,000.00		18,000.00
Recreation	24,163.07	64.97	24,228.04	64.97	24,163.07
Municipal Court	1,212.02		1,212.02		1,212.02
Community Development	4,507.02		4,507.02		4,507.02
Electrical Inspector	480.22		480.22		480.22
Total Salaries and Wages	447,545.47	5,426.76	452,972.23	5,426.76	447,545.47
Other Expenses:					
Inside "CAPS":					
Administrative and Executive	80,183.10	2,058.08	82,241.18	2,853.44	79,387.74
Elections	920.36		920.36		920.36
Financial Administration	28,211.35	126.00	28,337.35	165.49	28,171.86
Audit		51,000.00	51,000.00	49,200.00	1,800.00
Assessment of Taxes	1,066.91	1,339.95	2,406.86	1,339.95	1,066.91
Collection of Taxes	1,114.74	170.00	1,284.74	232.50	1,052.24
Legal Services	22,450.86		22,450.86	2,717.20	19,733.66
Engineering	2,545.00	270.00	2,815.00	245.00	2,570.00
Public Buildings and Grounds	629.21	28,082.33	28,711.54	28,711.54	
Planning Board	22,703.12	784.00	23,487.12	130.00	23,357.12
Dept. of Technology	6,055.65	4,927.91	10,983.56	4,927.91	6,055.65
Zoning Board of Adjustment	217.22	750.00	967.22		967.22
Group Insurance for Employees	193,209.02	271,491.63	464,700.65	4,842.00	459,858.65
Other Insurance Premiums	1,146.28		1,146.28		1,146.28
Prescription Drug/Dental Program	14,850.00		14,850.00		14,850.00
Fire	203.93	35,326.17	35,530.10	32,601.77	2,928.33
Uniform Fire Safety Act	43.73	1,382.00	1,425.73	908.26	517.47
Police	2,835.84	21,844.35	24,680.19	13,279.97	11,400.22
Emergency Management	1,573.11	1,910.00	3,483.11	1,910.00	1,573.11
School Crossing Guards Contractual		27,409.01	27,409.01	19,476.36	7,932.65
Road Repair and Maintenance	85,190.66	25,570.62	110,761.28	16,249.90	94,511.38
Snow Removal	314.30	1,211.33	1,525.63	1,211.33	314.30
Sanitary Sewer System	14,180.00		14,180.00		14,180.00
Garbage and Trash Removal Contractual	56,945.73	115,153.94	172,099.67	52,032.15	120,067.52
Recycling		16,386.32	16,386.32	16,386.32	
Board of Health	2,024.00	9,148.00	11,172.00	9,148.00	2,024.00
Dog Regulation (contractual)	3,000.00	8,875.00	11,875.00	8,875.00	3,000.00
Parks and Playgrounds	9,478.46	1,930.34	11,408.80	200.01	11,208.79
Recreation	13,821.95	50.00	13,871.95	198.43	13,673.52
Celebration of Public Events	2,000.00		2,000.00		2,000.00
Municipal Court	3,340.52		3,340.52	2,524.50	816.02
Community Development	4,576.55	2,470.00	7,046.55	2,052.32	4,994.23
Matchinbg Funds for Grants	1,335.66		1,335.66		1,335.66
Street Lighting	34,468.27	54,095.05	88,563.32	44,007.60	44,555.72

SCHEDULE OF 2017 APPROPRIATION RESERVES

	BALANCE DEC. 31 <u>2017</u>	ENCUMBERED <u>2017</u>	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Other Expenses:					
Inside "CAPS":					
Fire Hydrant Service	\$ 7,512.52	\$ 12,187.50	\$ 19,700.02	\$ 12,187.50	\$ 7,512.52
Telephone	13,209.58	4,902.48	18,112.06	3,656.54	14,455.52
Water	2,635.08	21.00	2,656.08	1,261.92	1,394.16
Electricity	6,658.07	62,239.60	68,897.67	23,681.82	45,215.85
Gasoline	17,830.43	13,047.44	30,877.87	13,762.98	17,114.89
Contingent	1,000.00		1,000.00		1,000.00
Public Employees Retirement System	219.10		219.10		219.10
Social Security System	45,808.79		45,808.79		45,808.79
State Unemployment Insurance	325.84		325.84		325.84
Other Expenses:					
Out of "CAPS":					
LOSAP	<u>1,608.05</u>		<u>1,608.05</u>		<u>1,608.05</u>
Total Other Expenses	<u>707,442.99</u>	<u>776,160.05</u>	<u>1,483,603.04</u>	<u>370,977.71</u>	<u>1,112,625.33</u>
Total Operations	<u>\$ 1,154,988.46</u>	<u>\$ 781,586.81</u>	<u>\$ 1,936,575.27</u>	<u>\$ 376,404.47</u>	<u>\$ 1,560,170.80</u>
Ref.	A	A		A-4	A-1

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2017	A	\$ 20,567.14
Increased by:		
Cash Receipts - Tax Overpayments	A-4	<u>30,216.98</u>
		50,784.12
Decreased by:		
Cash Payments - Refunds	A-4	<u>25,746.95</u>
Balance - December 31, 2018	A	<u><u>\$ 25,037.17</u></u>

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-16

<u>GRANT</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>2018 BUDGET</u> <u>REVENUE</u> <u>REALIZED</u>	<u>CHAPTER</u> <u>159'S</u>	<u>COLLECTED</u> <u>2018</u>	<u>TRANSFERRED</u> <u>FROM</u> <u>GRANTS</u> <u>UNAPPROPRIATED</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>
Municipal Alliance Grant	\$ 19,191.74	\$		\$		\$ 19,191.74
Municipal Alliance Grant 17	11,029.36			9,681.11		1,348.25
Municipal Alliance Grant		11,029.36				11,029.36
Assistance to Firefighters Grant Program			185,000.00			185,000.00
ANJEC - Butterfly Garden Grant			1,200.00	800.00		400.00
Body Armor Replacement fund		2,990.70			2,990.70	-
Bulletproof Vest Program			3,097.50			3,097.50
Clean Communities Program	345.01		21,892.93	21,892.93		345.01
CDBG John Long Spray Ground Grant	63,295.00			63,295.00		-
CDBG South St. Sanitary Sewer Grant		84,245.00				84,245.00
Drunk Driving Enforcement Grant		7,828.17			7,828.17	-
Garden Club of Somerset Hills Tree Planting and Community Garden Grant			800.00	800.00		-
Green Acres Grant		143,355.00				143,355.00
Historic Grant County	75,000.00					75,000.00
Historical Preservation Grant	108,860.00					108,860.00
Library ADA Compliant Grant	22,295.00					22,295.00
Municipal Alcohol Ed. Rehab Grant			7,469.71	7,469.71		-
NJ DEP - Hazardous Discharge Site Remediation			455,730.00			455,730.00
NJ DEP - RCP Challenge Grant for Pedestrian Safety			15,000.00	15,000.00		-
NJ Safe Corridors Grant		1,254.63		1,214.98		39.65
Preserve New Jersey Preservation Grant			23,535.00			23,535.00
Recycling Tonnage Grant 18		20,811.67			20,811.67	-
Somerset County - The Council for Boys and Young Men			3,430.00	3,430.00		-
Somerset County Regional Partnership - Creative Placemaking Challenge Grant			15,000.00	7,500.00		7,500.00
Somerville Flood Acquisition Project	454,325.00					454,325.00
Sustainable Jersey Small Grants Program			20,000.00	10,000.00		10,000.00
Transit Village Program for the Wayfinding Program - 2018			80,000.00			80,000.00
Youth Service - Various Programs			5,000.00	5,000.00		-
	<u>\$ 754,341.11</u>	<u>\$ 271,514.53</u>	<u>\$ 837,155.14</u>	<u>\$ 146,083.73</u>	<u>\$ 31,630.54</u>	<u>\$ 1,685,296.51</u>

Ref.

A

A-17

A-17

A-17

A-19

A

GRANT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/PAYABLE

	Dec. 31, 2017	Adjustments	Dec. 31, 2018
Interfunds:			
Current Fund	\$ 365,258.82	\$ 376,051.32	\$ 741,310.14
Total	\$ 365,258.82	\$ 376,051.32	\$ 741,310.14

<u>Ref.</u>	A	A
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Grants Revenue - Budget	A-16	\$ (1,108,669.67)
Grants Appropriated - Budget	A-18	1,550,677.01
Grant Receivables - Received	A-16	146,083.73
Grants Appropriated - Expended	A-18	<u>(212,039.75)</u>
		<u>\$ 376,051.32</u>

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

GRANT/AID PROGRAM	BALANCE	TRANSFERRED	CHAPTER 159'S	ENCUMBERED	PAID OR	ENCUMBERED	BALANCE
	DEC. 31, 2017	FROM 2018 BUDGET		DEC. 31, 2017	CHARGED	DEC. 31, 2018	DEC. 31, 2018
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	3,420.44				200.00		3,220.44
Municipal Alliance Grant 17	11,296.78				11,233.14		63.64
Municipal Alliance Grant 18		13,786.70			255.04		13,531.66
Alcohol Ed Rehab Grant	4,203.75		7,469.71		321.00		11,352.46
Assistance to Firefighters Grant Program		9,250.00	185,000.00			194,250.00	
Association of NJ Environmental Commission - Butterfly Garden Grant			1,200.00		152.69		1,047.31
Body Armor Replacement Fund 16	5,055.43						5,055.43
Body Armor Replacement Fund 18		2,990.70					2,990.70
Bulletproof Vest Program	1,257.36		3,097.50				4,354.86
CDBG John Long Park				57,905.00	57,905.00		
CDBG South St. Sanitary Sewer Grant		84,245.00				84,245.00	
Clean Communities 16	19,660.57				12,553.87	2,092.00	5,014.70
Clean Communities 2017	22,877.85				13,161.83		9,716.02
Clean Communities Program 18			21,892.93				21,892.93
DEP Hazardous Discharge Site Remediation Fund	12.38						12.38
DEP - Hazardous Discharge Site Remediation			455,730.00				455,730.00
Drunk Driving Enforcement Fund	3,514.86	7,828.17			(8,235.54)	179.00	19,399.57
Emergency Responder Grant	1,006.97						1,006.97
Federal Bulletproof Vest Program				1,725.06	1,725.05		0.01
Garden Club of Somerset Hills Tree Planting and Community Garden Grant			800.00		428.00		372.00
Green Acres Grant		573,355.00			2,228.33	10,671.67	560,455.00
Hazardous Discharge Grant 2017	107,270.77				57,037.50		50,233.27
Highway Safety Grant	1,662.96	1,254.63			1,826.04		1,091.55
Historical Preservation Grant	4,500.00			658.82			5,158.82
Historical Preservation Grant	77,267.00						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 DEP - RCP Challenge Grant for Pedestrian Safety			15,000.00				15,000.00
NJ DOT Transit Village	230,000.00						230,000.00
Preserve New Jersey Preservation Grant			23,535.00				23,535.00
Recycling Tonnage Grant 16	4,945.11			398.73	398.73		4,945.11
Recycling Tonnage Grant 17				14,419.51	14,419.51		
Recycling Tonnage Grant		20,811.67			20,811.67		
Regional Center Challenge Grant 13	26,000.00						26,000.00
Society of Fire Prevention Fire Week				250.00	250.00		
Society of Fire Prevention Fire Week 2017				500.00	500.00		

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

<u>GRANT/AID PROGRAM</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>TRANSFERRED</u> <u>FROM 2018</u> <u>BUDGET</u>	<u>CHAPTER</u> <u>159'S</u>	<u>ENCUMBERED</u> <u>DEC. 31, 2017</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>ENCUMBERED</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>
Somerset County - The Council for Boys and Young Men	\$	\$	\$ 3,430.00	\$	\$	\$	\$ 3,430.00
Somerset County Regional Partnership - Creative Placemaking Challenge Grant			15,000.00		15,000.00		
Somerville Flood Acquisition Project	454,325.00		20,000.00				454,325.00
Sustainable Jersey Small Grants Program			80,000.00				80,000.00
Transit Village Program for the Wayfinding Program - 2018			5,000.00		1,867.89		3,132.11
Youth Service							
	<u>\$ 1,009,877.27</u>	<u>\$ 713,521.87</u>	<u>\$ 837,155.14</u>	<u>\$ 75,857.12</u>	<u>\$ 212,039.75</u>	<u>\$ 291,437.67</u>	<u>\$ 2,132,933.98</u>
<u>Ref.</u>	A	A-17	A-17	A	A-17	A	A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED
GRANT FUND

<u>GRANTS</u>	<u>BALANCE</u> DEC. 31, 2017	<u>APPLIED</u> TO GRANTS <u>RECEIVABLE</u>	<u>BALANCE</u> DEC. 31, 2018
Body Armor Replacement Fund	\$ 2,990.70	\$ 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	<u>7,828.17</u>	<u>7,828.17</u>	<u>-</u>
	<u>\$ 33,865.54</u>	<u>\$ 31,630.54</u>	<u>\$ 2,235.00</u>
<u>Ref.</u>	A	A-16	A

Trust Fund

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance <u>12/31/17</u>	Receipts	Cash Disbursements	Adjustments	Balance <u>12/31/18</u>
Assessment Trust Fund:					
Assessments Receivable	\$ (4,907.84)	\$	\$		\$ (4,907.84)
Reserve for Assessments and Liens	4,907.84				4,907.84
Fund Balance	10,467.52				10,467.52
Total	10,467.52	-	-	-	10,467.52
Animal Control:					
Due Current Fund	14,420.80			2,556.20	16,977.00
Due NJ - State License Fees	10.80	652.80	(663.60)		-
Animal Control Reserves	11,917.40	6,076.40	(630.00)	(2,556.20)	14,807.60
Total	26,349.00	6,729.20	(1,293.60)	-	31,784.60
Trust - Other Funds:					
Accounts Receivable - HUD	(8,261.00)				(8,261.00)
CDBG Receivable	(44,385.89)				(44,385.89)
Interfunds Receivable:					
Due from Current Fund	(229,510.42)				(229,510.42)
Subtotal Interfunds Receivable	(282,157.31)	-	-	-	(282,157.31)
Interfunds Payable:					
Due to Public Assistance Fund	25,533.60				25,533.60
Due to Current Fund	14,000.00				14,000.00
Subtotal Interfunds Payable	39,533.60	-	-	-	39,533.60
Reserve for:					
Miscellaneous Deposits	1,838,956.34	1,268,201.63	(1,209,169.90)		1,897,988.07
Payroll Agency	153,633.39	2,352,730.18	(2,328,545.60)		177,817.97
CDBG Expenditures	44,385.89				44,385.89
District Management Corp.	366,841.69	615,206.71	(536,565.89)		445,482.51
SUI Fund	51,806.27	11,654.58			63,460.85
Sanitary Landfill Closure	10,393.37	26.01			10,419.38
Builders Escrow	92,440.93	92,865.26	(110,843.41)		74,462.78
Tax Redemption Trust	1,125,000.00	803,344.15	(1,256,240.89)		672,103.26
Recreation Trust	68,494.68	40,804.04	(21,725.95)		87,572.77
Housing Assistance Program	4,891.79	2,326,902.07	(2,297,492.90)		34,300.96
Housing Assistance Portables	30,278.19				30,278.19
Law Enforcement Trust	39,391.79	276.72			39,668.51
Credit Card Fee Accounts	4,464.97	6,493.46	(9,255.10)		1,703.33
Encumbrances	4,079.50	(4,079.50)	57,576.17		57,576.17
Total	3,592,435.09	7,514,425.31	(7,712,263.47)		3,394,596.93
Total	\$ 3,629,251.61	\$ 7,521,154.51	\$(7,713,557.07)	\$ -	\$ 3,436,849.05

Ref.

B

B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

<u>Year</u>	<u>Amount</u>
2016	\$6,666.20
2017	<u>8,141.40</u>
	<u>\$14,807.60</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	12/31/17	Cash		12/31/18	Balance
	12/31/17	Encumbered	Receipts	Disbursements	Encumbered	12/31/18
Cable TV	\$ 52,298.78	\$	\$ 16,000.00	\$ (48,612.68)	\$	\$ 19,686.10
CDBG Library	22,295.00					22,295.00
Community Day	52.46					52.46
Demolition Project	12,190.94					12,190.94
Developer Escrow - Desapio Infrastructure	33,938.00		96,400.00	(35,937.23)	(4,062.77)	90,338.00
Donations - Fire Museum	3,194.22		192.00	(324.46)		3,061.76
Engineering Escrow	105,578.97		161,358.19	(59,600.00)		207,337.16
Environmental Commission	8,923.32		5,200.00	(362.86)		13,760.46
Fire Safety	9,474.53	1,562.50	12,925.00	(17,647.32)	(626.00)	5,688.71
Hurricane Sandy Donations	500.00					500.00
Jersey Strong Inspection	4,918.88					4,918.88
Maintenance Reserve	6,488.66					6,488.66
Performance Deposits	671,640.41		38,176.88	(102,824.58)		606,992.71
Planning Board Escrow	42,314.57		238,524.56	(227,267.96)		53,571.17
POAA	9,422.81		4,156.00	(5,268.00)		8,310.81
Police Community Policing	5,387.18		2,687.03	(5,724.70)		2,349.51
Police O/T	31,512.24		520,396.81	(465,199.60)	(52,387.40)	34,322.05
Public Defenders Fees	1,266.96		5,766.00	(6,000.00)	(500.00)	532.96
Reserve for Retirement	724,093.19		54,800.00	(125,954.68)		652,938.51
Road Opening Inspections	8,394.91		44,730.60	(34,160.00)		18,965.51
Sewer Escrow	7,083.13					7,083.13
Snow Removal	14,550.92	500.00	49,709.06	(14,692.66)		50,067.32
Street Openings	54,373.36					54,373.36
UFC Penalties - Fire Dept.	7,733.00	2,017.00	12,925.00	(2,017.00)		20,658.00
Wedding Donations	725.00		175.00			900.00
Youth Services Program	604.90					604.90
Total	\$ 1,838,956.34	\$ 4,079.50	\$ 1,264,122.13	\$ (1,151,593.73)	\$ (57,576.17)	\$ 1,897,988.07

Ref B B B B

General Capital Fund

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2017	C		\$ 844,824.68
Increased by Receipts:			
Premium on Sale of BANs	C- 1	\$ 23,265.00	
Capital Improvement Fund	C- 4	125,000.00	
Grants, Loans and Other Receivables	C- 7	4,312,699.74	
Bond Anticipation Notes	C- 9	3,990,000.00	
ERG Payment of Debt Service	C-13	126,176.21	
Payment of Debt Service	C-14	<u>26,500.00</u>	
			<u>8,603,640.95</u>
			9,448,465.63
Decreased by Disbursements:			
Improvement Authorizations	C- 8	6,883,957.40	
Bond Anticipation Notes	C- 9	<u>1,000,000.00</u>	
			<u>7,883,957.40</u>
Balance - December 31, 2018	C,C-3		<u><u>\$ 1,564,508.23</u></u>

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2017</u>	BALANCE DEC. 31, <u>2018</u>
Fund Balance	\$ 233,513.07	\$ 256,778.07
Capital Improvement Fund	23,981.83	19,256.83
Reserve for Payment of Future Debt Service - ERG	705,129.40	831,305.61
Reserve for Payment of Future Debt Service	503,264.48	529,764.48
Reserve for Encumbrances Payable	353,551.80	190,441.74
N.J. D.O.T. Grants Receivable/Reserve	(8,230,288.89)	(4,771,125.15)
Due from SCIA	(3,303.34)	(3,303.34)
 <u>Improvement Authorizations:</u>		
<u>ORD. NO. IMPROVEMENT DESCRIPTION</u>		
2227	Various Improvements 16,207.15	1,784.80
2332	Various Improvements 28,257.28	28,257.28
2412	Various Improvements General Capital 16,552.18	13,172.51
2420	Various Improvements 105,523.73	100,423.73
2441	Various Improvements 134,331.53	18,341.71
2446	Preliminary Expenditures Parking Garage	
2454	Various Redevelopment Projects	
2468	Various Redevelopment Projects 7,388.99	5,960.76
2470	Various Improvements 85,020.74	155,816.41
2482	Site Remediation at Landfill 7,163,484.72	3,065,432.20
2484	Parking Lot Project - SCIA	
2495	Redevelopment 9,409.60	9,409.60
2497	Various Improvements (50,538.41)	(4,169.04)
2499	Sidewalk Assessment (30,008.09)	(30,008.09)
2505	Purchase of a Fire Truck - SCIA 72,426.72	61,356.33
2518	Various Improvements (493,496.33)	150,492.14
2525/2526	Sidewalk Assessment 194,416.52	139,667.92
2546	Acquisition of Real Property	(1,296.29)
2550	Various Improvements	796,748.02
	<u>\$ 844,824.68</u>	<u>\$ 1,564,508.23</u>

Ref.

C

C

Exhibit - C-4

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 23,981.83
Increased by:		
2018 Budget Appropriation	C- 2	<u>125,000.00</u>
		148,981.83
Decreased by:		
Improvement Authorizations Funded	C- 8	<u>129,725.00</u>
Balance - December 31, 2018	C	<u><u>\$ 19,256.83</u></u>

Exhibit - C-5

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

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 20,929,221.60
Increased by:		
SCIA Leases Payable	C-15	<u>805,000.00</u>
		21,734,221.60
Decreased by:		
Serial Bonds Payable	C-10	\$ 2,245,000.00
SCIA Leases Payable	C-15	<u>296,978.05</u>
		<u>2,541,978.05</u>
Balance - December 31, 2018	C	<u><u>\$ 19,192,243.55</u></u>

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2017	2018 AUTHORI- ZATIONS	BALANCE DEC. 31, 2018	ANALYSIS OF BALANCE DECEMBER 31, 2018		
					BOND ANTICIPATION NOTES	EXPENDI- TURES	UNEXPENDED BALANCE OF IMPROV. AUTH.
	<u>General Improvements</u>						
2470	Various Improvements	\$ 355,466.83	\$ -	\$ 355,466.83	\$ 340,000.00	\$ -	\$ 15,466.83
2495	Various Redevelopment Projects	95,000.00		95,000.00	95,000.00		
2497	Various Improvements	600,110.00		600,110.00	570,000.00	4,169.04	25,940.96
2499	Sidewalk Improvement	33,250.00		33,250.00		30,008.09	3,241.91
2518	Various Improvements	1,292,950.00		1,292,950.00	1,120,000.00	-	172,950.00
2525	Sidewalk Improvement	251,517.00		251,517.00			251,517.00
2546	Acquisition of Property Located at 85-101 North Gaston Avenue		1,425,000.00	1,425,000.00	1,340,000.00	1,296.29	83,703.71
2550	Various Improvements		1,039,775.00	1,039,775.00	525,000.00	56,787.98	457,987.02
		<u>\$ 2,628,293.83</u>	<u>\$ 2,464,775.00</u>	<u>\$ 5,093,068.83</u>	<u>\$ 3,990,000.00</u>	<u>\$ 92,261.40</u>	<u>\$ 1,010,807.43</u>
		Ref. C	C-8	C			
Unexpended Balances of Unfunded Improv. Authors.							\$ 1,326,525.58
Less: Unexpended Proceeds of Bond Anticipation Notes							<u>315,718.15</u>
							<u>\$ 1,010,807.43</u>

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

	Ordinance Number	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
Receivables:					
State Aid Allotment	2109	\$ 37,500.00	\$ -	\$ -	\$ 37,500.00
State Aid Allotment	2124	18,750.00			18,750.00
New Jersey DOT	2189	68,750.00			68,750.00
New Jersey DOT	2227	0.88			0.88
New Jersey DOT	2286	10,943.03			10,943.03
NJ Economic Development Authority	2355	8,979.25			8,979.25
New Jersey DOT	2361	250,000.00			250,000.00
Community Development Block Grant	2361	16,309.21			16,309.21
New Jersey DOT	2377	230,000.00			230,000.00
New Jersey DOT	2420	99,294.07			99,294.07
New Jersey DOT	2441	65,000.00		65,000.00	-
New Jersey DOT	2470	199,182.06		119,218.13	79,963.93
NJ Economic Development Authority - Hazardous Discharge	2482	5,461,170.82		2,964,911.61	2,496,259.21
New Jersey Environmental Infrastructure Trust (NJEIT)	2482	1,680,776.00		1,163,570.00	517,206.00
Somerset County Improvement Authority (SCIA) - Fire Truck	2505	72,478.32			72,478.32
NJ Dept of Community Affairs, Office of Main Street NJ	2526	11,155.25			11,155.25
New Jersey DOT	2550		183,536.00		183,536.00
New Jersey Safe Routes to Schools	2550		670,000.00		670,000.00
		<u>\$ 8,230,288.89</u>	<u>\$ 853,536.00</u>	<u>\$ 4,312,699.74</u>	<u>\$ 4,771,125.15</u>
	<u>Ref.</u>	C	C-8	C-2	C

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE - DEC. 31, 2017		2018 AUTHORIZATIONS	2017 ENCUMBRANCES	PAID OR CHARGED	2018 ENCUMBRANCES	BALANCE - DEC. 31, 2018	
		DATE	AMOUNT	FUNDED	UNFUNDED					FUNDED	UNFUNDED
<u>General Improvements:</u>											
2227	Various Improvements	04/02/07	\$ 1,098,000.00	\$ 16,207.15	\$ -	\$ -	\$ -	\$ 14,422.35	\$ -	\$ 1,784.80	\$ -
2332	Various Improvements	06/21/10	485,000.00	28,257.28						28,257.28	
2412	Various Improvements General Capital	03/18/13	545,000.00	16,552.18			8,000.00	11,379.67		13,172.51	
2420	Various Improvements	08/19/13	445,000.00	105,523.73				5,100.00		100,423.73	
2441	Various Improvements	05/19/14	936,000.00	134,331.53			20,963.53	98,796.09	38,157.26	18,341.71	
2468	Various Redevelopment Projects	05/04/15	200,000.00	7,388.99			4,500.00	5,928.23		5,960.76	
2470	Various Improvements	06/15/15	886,530.00		150,487.57		40,329.47	19,533.80			171,283.24
2482	Site Remediation at Landfill	12/07/15	16,229,114.00	7,163,484.72				4,098,052.52		3,065,432.20	
2495	Various Redevelopment Projects	03/21/16	100,000.00		9,409.60		44.80	44.80			9,409.60
2497	Various Improvements	03/21/16	631,695.00		54,571.59		46,358.00	68,108.63	6,880.00		25,940.96
2499	Sidewalk Assessment	04/18/16	35,000.00		3,241.91						3,241.91
2505	Purchase of a Fire Truck - SCIA	09/19/16	800,000.00	72,426.72				4,780.89	6,289.50	61,356.33	
2518	Various Improvements	04/03/17	1,361,000.00		679,453.67		202,416.00	494,188.75	64,238.78		323,442.14
2525/2526	Sidewalk Assessment	04/17/17	487,880.00	194,416.52	251,517.00		30,940.00	55,793.60	29,895.00	139,667.92	251,517.00
2546	Acquisition of Property Located at 85-101 North Gaston Avenue	03/19/18	1,500,000.00			1,500,000.00		1,416,296.29			83,703.71
2550	Various Improvements	05/21/18	1,948,036.00			1,948,036.00		591,531.78	44,981.20	853,536.00	457,987.02
				<u>\$ 7,738,588.82</u>	<u>\$ 1,148,681.34</u>	<u>\$ 3,448,036.00</u>	<u>\$ 353,551.80</u>	<u>\$ 6,883,957.40</u>	<u>\$ 190,441.74</u>	<u>\$ 4,287,933.24</u>	<u>\$ 1,326,525.58</u>
		<u>Ref.</u>	<u>C</u>	<u>C</u>			<u>C</u>	<u>C-2</u>	<u>C</u>	<u>C</u>	<u>C</u>
Capital Improvement Fund		C-4				\$ 129,725.00					
Deferred Charges to Future Taxation - Unfunded		C-6				2,464,775.00					
Grants/SCIA Loans Receivable		C-7				853,536.00					
						<u>\$ 3,448,036.00</u>					

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, 2017</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2018</u>
2470	Various Improvements	11/09/17	11/07/18	11/06/19	3.00%	\$ 290,000.00	\$ 340,000.00	\$ 290,000.00	\$ 340,000.00
2495	Various Redevelopment Projects	11/09/17	11/07/18	11/06/19	3.00%	95,000.00	95,000.00	95,000.00	95,000.00
2497	Various Improvements	11/09/17	11/07/18	11/06/19	3.00%	495,000.00	570,000.00	495,000.00	570,000.00
2518	Various Improvements	11/09/17	11/07/18	11/06/19	3.00%	120,000.00	1,120,000.00	120,000.00	1,120,000.00
2546	Acquisition of Real Property	11/07/18	11/07/18	11/06/19	3.00%		1,340,000.00		1,340,000.00
2550	Various Improvements	11/07/18	11/07/18	11/06/19	3.00%		525,000.00		525,000.00
						<u>\$ 1,000,000.00</u>	<u>\$ 3,990,000.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 3,990,000.00</u>
					<u>Ref.</u>	C	C-2	C-2	C

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</u>		<u>BALANCE DEC. 31, 2017</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2018</u>
				<u>DATE</u>	<u>AMOUNT</u>			
County Guaranteed Governmental Loan Revenue Bonds Series 2009B	10/01/09	\$ 3,360,000.00	3.000%	10/01/19	\$ 265,000.00	\$ 1,780,000.00	\$ 265,000.00	\$ 1,515,000.00
			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%	10/01/19-20	285,000.00	1,920,000.00	285,000.00	1,635,000.00
			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%	09/15/19	395,000.00	3,780,000.00	385,000.00	3,395,000.00
			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				685,000.00	685,000.00	
County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2014B	08/01/14	1,465,000.00	4.000%	08/01/19	295,000.00	1,140,000.00	300,000.00	840,000.00
			4.000%	08/01/20	295,000.00			
			4.000%	08/01/21	250,000.00			

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</u>		<u>BALANCE</u>	<u>DECREASED</u>	<u>BALANCE</u>
				<u>DATE</u>	<u>AMOUNT</u>	<u>DEC. 31, 2017</u>		<u>DEC. 31, 2018</u>
General Obligation Bonds	04/14/16	6,770,000.00	1.375%	02/15/19	350,000.00	6,470,000.00	325,000.00	6,145,000.00
			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>\$ 15,775,000.00</u>	<u>\$ 2,245,000.00</u>	<u>\$ 13,530,000.00</u>
					<u>Ref.</u>	C	C-5	C

SCHEDULE OF LOANS PAYABLE
NJ ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN PAYABLE

	Ref.	
Balance - December 31, 2017	C	\$ 3,943,224.00
Balance - December 31, 2018	C	<u>\$ 3,943,224.00</u>

Exhibit - C-12

SCHEDULE OF DUE FROM SOMERSET COUNTY
IMPROVEMENT AUTHORITY

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 3,303.34
Balance - December 31, 2018	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, 2017	C	\$ 705,129.40
Increased by:		
Cash Receipts	C-2	<u>126,176.21</u>
Balance - December 31, 2018	C	<u>\$ 831,305.61</u>

Exhibit - C-14

SCHEDULE OF RESERVE FOR PAYMENT OF
FUTURE DEBT SERVICE

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 503,264.48
Increased by:		
Cash Receipts	C-2	<u>26,500.00</u>
Balance - December 31, 2018	C	<u>\$ 529,764.48</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</u>		<u>BALANCE DEC. 31, 2017</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2018</u>
				<u>DATE</u>	<u>AMOUNT</u>				
SCIA Lease Payable	2008	\$ 555,500.00				\$ 65,270.14	\$	\$ 65,270.14	\$ -
SCIA Lease Payable	2014	296,083.52	2.10%	05/15/19	\$ 38,288.46	191,463.14		75,387.49	116,075.65
			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%	05/15/19	28,832.73	173,929.90		56,769.78	117,160.12
			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%	4/1/2019-20	30,000.00		805,000.00	25,000.00	780,000.00
			1.27%	4/1/2021-22	30,000.00				
			1.27%	4/1/2023-25	35,000.00				
			1.88%	4/1/2026-27	40,000.00				
			1.88%	4/1/2028-30	45,000.00				
			2.20%	4/1/2031-32	50,000.00				
			2.20%	04/01/33	55,000.00				
			2.20%	4/1/2034-35	60,000.00				
			2.45%	04/01/36	65,000.00				
SCIA Lease Payable - Fire Truck	2016	808,000.00	2.25%	03/01/19	37,905.52	780,334.42		74,550.64	705,783.78
			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>\$ 1,210,997.60</u>	<u>\$ 805,000.00</u>	<u>\$ 296,978.05</u>	<u>\$ 1,719,019.55</u>
					<u>Ref.</u>	<u>C</u>	<u>C- 5</u>	<u>C- 5</u>	<u>C</u>

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

Exhibit C-16

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	BALANCE DEC. 31, 2017	2018 AUTHORI- ZATIONS	2018 BANS REDEEMED	2018 BANS ISSUED	BALANCE DEC. 31, 2018
<u>General Improvements</u>						
2470	Various Improvements	\$ 65,466.83	\$	\$ 290,000.00	\$ 340,000.00	\$ 15,466.83
2495	Various Redevelopment Projects	-		95,000.00	95,000.00	-
2497	Various Improvements	105,110.00		495,000.00	570,000.00	30,110.00
2499	Sidewalk Assessment	33,250.00				33,250.00
2518	Various Improvements	1,172,950.00		120,000.00	1,120,000.00	172,950.00
2525	Sidewalk Assessment	251,517.00				251,517.00
2546	Acquisition of Real Property		1,425,000.00		1,340,000.00	85,000.00
2550	Various Improvements		1,039,775.00		525,000.00	514,775.00
		<u>\$ 1,628,293.83</u>	<u>\$ 2,464,775.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 3,990,000.00</u>	<u>\$ 1,103,068.83</u>
<u>Ref.</u>		C				C

Sewer Utility Fund

SCHEDULE OF SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2017	D	\$ 851,599.17	
Increased by Receipts:			
Miscellaneous Revenue	D-3	\$ 378,165.13	
Consumer Accounts Receivable	D-8	2,789,090.18	
Sewer Overpayments	D-9	7,071.72	
Prepaid Sewer Charges	D-10	8,599.61	
Interfunds Receivable/Payable	D-14	20,000.00	
2018 Budget Approp - Deferred Charges	D-16		\$ 158,316.02
		<u>3,202,926.64</u>	<u>158,316.02</u>
		4,054,525.81	158,316.02
Decreased by Disbursements:			
2018 Budget Appropriations	D- 4	2,333,014.93	
Overpayment Refunds	D- 9	337.50	
2017 Appropriation Reserves	D-12	21,141.98	
Interfunds Receivable/Payable	D-14	<u>19,406.43</u>	
		<u>2,373,900.84</u>	
Balance - December 31, 2018	D	<u>\$ 1,680,624.97</u>	<u>\$ 158,316.02</u>

SCHEDULE OF SEWER UTILITY CHANGE FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 50.00
Balance - December 31, 2018	D	<u>\$ 50.00</u>

ANALYSIS OF SEWER UTILITY CAPITAL CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2018</u>
Fund Balance	\$ 3,276.36
Capital Improvement Fund	54,000.00
Improvement Authorizations Funded	65,544.89
Improvement Authorizations Unfunded	144,968.59
Encumbrances Payable	64,577.00
Bonds and Notes Authorized but not Issued	(624,211.53)
Down Payments on Improvements	732.00
Due to Sewer Operating Fund	<u>449,428.71</u>
	<u>\$ 158,316.02</u>

() Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 342,932.56
Increased by:		
Sewer Utility Billings (Net)	Reserve	<u>2,742,734.78</u>
		3,085,667.34
Decreased by:		
Collected	D-3,D-5	\$ 2,789,090.18
Prepays Applied	D-3,D-10	6,619.27
Overpayments Applied	D-3,D-9	5,468.25
Transferred to Sewer Liens	D-11	<u>1,610.00</u>
		<u>2,802,787.70</u>
Balance - December 31, 2018	D	<u><u>\$ 282,879.64</u></u>

SEWER RENTS OVERPAYMENTS
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 5,906.83
Increased by:		
Cash Receipts	D-5	<u>7,071.72</u>
		12,978.55
Decreased by:		
Refunded	D-5	\$ 337.50
Applied to Rents Receivable	D-8	<u>5,468.25</u>
		<u>5,805.75</u>
Balance - December 31, 2018	D	<u><u>\$ 7,172.80</u></u>

Exhibit - D-10

PREPAID SEWER RENTS
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 6,619.27
Increased by:		
Cash Receipts	D-5	<u>8,599.61</u>
		15,218.88
Decreased by:		
Applied to Rents Receivable	D-8	<u>6,619.27</u>
Balance - December 31, 2018	D	<u><u>\$ 8,599.61</u></u>

Exhibit - D-11

SCHEDULE OF TAX TITLE LIENS RECEIVABLE
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 240.00
Increased by:		
Transfer from Sewer Taxes	D-8	<u>1,610.00</u>
Balance - December 31, 2018	D	<u><u>\$ 1,850.00</u></u>

SCHEDULE OF 2017 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operating:					
Salaries and Wages	\$ 57,068.02	\$	\$ 57,068.02	\$	\$ 57,068.02
Other Expenses	60,389.22	13,583.00	73,972.22	21,141.98	52,830.24
Sewerage Authority (R.S. 40:14A-9):					
Share of Costs	<u>219,716.16</u>		<u>219,716.16</u>		<u>219,716.16</u>
	<u>\$ 337,173.40</u>	<u>\$ 13,583.00</u>	<u>\$ 350,756.40</u>	<u>\$ 21,141.98</u>	<u>\$ 329,614.42</u>
<u>Ref.</u>	D	D		D-5	D-1

SCHEDULE OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND

	Ref.	
Balance - December 31, 2017	D	\$ 3,253,953.09
Balance - December 31, 2018	D	<u>\$ 3,253,953.09</u>

SEWER OPERATING
STATEMENT OF INTERFUNDS RECEIVABLE

	Dec. 31, 2017	Cash Receipts	Cash Disbursements	Dec. 31, 2018
Interfunds:				
Sewer Capital Fund	\$ (450,022.28)	\$ 20,000.00	\$ 19,406.43	\$ (449,428.71)
Current Fund	<u>(11,579.04)</u>	<u> </u>	<u> </u>	<u>(11,579.04)</u>
Total	<u>\$ (461,601.32)</u>	<u>\$ 20,000.00</u>	<u>\$ 19,406.43</u>	<u>\$ (461,007.75)</u>
<u>Ref.</u>	D	D-5	D-5	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE	BALANCE
		DATE	AMOUNT	DEC. 31, 2017	DEC. 31, 2018
<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>\$ 297,384.74</u>	<u>\$ 297,384.74</u>
<u>Ref.</u>				D	D

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	Date	BALANCE	2018	BALANCE
			DEC. 31, 2017	BUDGET APPROPRIATION	DEC. 31, 2018
<u>General Improvements:</u>					
1143	Various Sewer Improvements		\$ -	\$ 469.83	\$ 469.83
2142	Various Sewer Improvements			44,999.72	44,999.72
2184	Sewer Rehabilitation	02/07/09	82.50		82.50
2190	Various Sewer Improvements			70,058.00	70,058.00
2307	Sewer Improvements	06/15/99	5,000.00	42,788.47	47,788.47
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>\$ 188,082.50</u>	<u>\$ 158,316.02</u>	<u>\$ 346,398.52</u>
<u>Ref.</u>			D	D-5	D

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2017		PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2018	CANCELLED	BALANCE DEC. 31, 2018	
		DATE	AMOUNT	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	122.12				27,973.38
2517	Various Sewer Improvements	04/07/17	250,000.00	149,406.20	100,000.00	19,284.31	64,577.00		65,544.89	100,000.00
				<u>\$ 149,488.70</u>	<u>\$ 147,302.24</u>	<u>\$ 19,406.43</u>	<u>\$ 64,577.00</u>	<u>\$ 2,294.03</u>	<u>\$ 65,544.89</u>	<u>\$ 144,968.59</u>
	<u>Ref.</u>			D	D	D-20	D	D-2	D	D

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 34,000.00
Increased by:		
2018 Budget Appropriation	D-20	<u>20,000.00</u>
Balance - December 31, 2018	D	<u>\$ 54,000.00</u>

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

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 732.00
Balance - December 31, 2018	D	<u>\$ 732.00</u>

SCHEDULE OF DUE TO SEWER OPERATING FUND
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 450,022.28
Increased by:		
Improvement Authorizations Paid by Operating Fund	D-17	<u>19,406.43</u>
		469,428.71
Decreased by:		
2018 Budget Appropriation - Capital Improvement Fund	D-18	<u>20,000.00</u>
Balance - December 31, 2018	D	<u><u>\$ 449,428.71</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 2,580,727.78
Balance - December 31, 2018	D	<u>\$ 2,580,727.78</u>

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	BALANCE DEC. 31, 2017	FUNDED BY BUDGET	BALANCE DEC. 31, 2018
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	42,788.47	2,211.53
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>\$ 782,527.55</u>	<u>\$ 158,316.02</u>	<u>\$ 624,211.53</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, 2017	E	\$ 452,949.37
Increased by Receipts:		
Parking Meters	E-2	\$ 662,142.70
Parking Permits	E-2	33,803.38
Miscellaneous	E-2	<u>4,570.94</u>
		<u>700,517.02</u>
		1,153,466.39
Decreased by Disbursements:		
2018 Budget Appropriations	E-3	375,791.74
2017 Appropriation Reserves	E-5	<u>11,894.42</u>
		<u>387,686.16</u>
Balance - December 31, 2018	E	<u><u>\$ 765,780.23</u></u>

SCHEDULE OF 2017 APPROPRIATION RESERVES
PARKING UTILITY OPERATING FUND

	<u>BALANCE DEC. 31, 2017</u>	<u>RESERVE FOR ENCUMBRANCES DEC. 31, 2017</u>	<u>BALANCE AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Operating:					
Salaries and Wages	\$ 42,081.86	\$	\$ 42,081.86	\$	\$ 42,081.86
Other Expenses	<u>168,162.00</u>	<u>32,926.78</u>	<u>201,088.78</u>	<u>11,894.42</u>	<u>189,194.36</u>
	<u>\$ 210,243.86</u>	<u>\$ 32,926.78</u>	<u>\$ 243,170.64</u>	<u>\$ 11,894.42</u>	<u>\$ 231,276.22</u>
<u>Ref.</u>	E	E		E-5	E-1

Public Assistance Trust Fund

Exhibit - F - 1

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

	<u>REF.</u>	
Balance - December 31, 2017	F	\$25,533.60
Balance - December 31, 2018	F	<u>\$25,533.60</u>

Exhibit - F - 2

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance - December 31, 2017	F	\$25,533.60
Balance - December 31, 2018	F	<u>\$25,533.60</u>

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



**PART IV
SUPPLEMENTARY DATA**

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2018

ASSETS	CURRENT	TRUST	GENERAL	SEWER	PARKING	PUBLIC	GOVERNMENTAL	MEMORANDUM TOTAL ONLY	
	FUND	FUND	CAPITAL	UTILITY	UTILITY	ASSISTANCE	FIXED ASSETS	DEC. 31, 2018	DEC. 31, 2017
Cash and Investments	\$ 10,719,700.07	\$ 3,436,849.05	\$ 1,564,508.23	\$ 1,838,990.99	\$ 765,780.23	\$	\$	\$ 18,325,828.57	\$ 15,374,363.42
Due from State of NJ - SC/Vet Deductions	5,639.04							5,639.04	
Accounts Receivable:									
State & Federal Grants Receivable	1,685,296.51	52,646.89	4,771,125.15					6,509,068.55	9,037,276.89
Taxes, Assessments, Liens & Utility Charges	929,004.38	4,907.84		284,729.64				1,218,641.86	1,203,455.25
Interfund Loans	758,287.14	229,510.42		461,007.75		25,533.60		1,474,338.91	1,096,324.96
Other Accounts Receivable	36,334.45		3,303.34					39,637.79	25,366.16
Property Acquired for Taxes at Assessed Valuation	28,500.00							28,500.00	28,500.00
Fixed Assets - General							29,251,587.00	29,251,587.00	28,565,307.00
Fixed Capital - Utility				3,551,337.83				3,551,337.83	3,551,337.83
Deferred Charges to Future Taxation:									
General Capital Fund			24,285,312.38					24,285,312.38	23,557,515.43
	<u>\$ 14,162,761.59</u>	<u>\$ 3,723,914.20</u>	<u>\$ 30,624,249.10</u>	<u>\$ 6,136,066.21</u>	<u>\$ 765,780.23</u>	<u>\$ 25,533.60</u>	<u>\$ 29,251,587.00</u>	<u>\$ 84,689,891.93</u>	<u>\$ 82,439,446.94</u>
LIABILITIES, RESERVES AND FUND BALANCE	CURRENT	TRUST	GENERAL	SEWER	PARKING	PUBLIC	GOVERNMENTAL	MEMORANDUM TOTAL ONLY	
	FUND	FUND	CAPITAL	UTILITY	UTILITY	ASSISTANCE	FIXED ASSETS	DEC. 31, 2018	DEC. 31, 2017
Bonds and Notes Payable	\$	\$	\$ 17,520,000.00	\$	\$	\$	\$	\$ 17,520,000.00	\$ 16,775,000.00
Loans Payable			5,662,243.55					5,662,243.55	5,154,221.60
Prepaid Taxes, Assessments, Utility Charges and Licenses	268,583.68			8,599.61				277,183.29	1,129,224.18
Tax, Assessment, Lien, License and Utility Charge Overpayments	25,037.17			7,172.80				32,209.97	26,473.97
Appropriation Reserves	797,707.40			246,696.62	134,409.38			1,178,813.40	1,702,405.72
Reserve for Encumbrances/Accounts Payable	979,672.93	57,576.17	190,441.74	243,181.47	99,298.88			1,570,171.19	1,275,647.33
Amts. Pledged to Specific Purposes	2,216,240.23	3,599,359.91	1,380,326.92	54,732.00		25,533.60		7,276,192.66	6,274,694.57
Improvement Authorizations			5,614,458.82	212,807.51				5,827,266.33	9,184,061.10
Interfund Loans	968,399.60	56,510.60		449,428.71				1,474,338.91	1,096,324.96
Investments in Governmental Fixed Assets							29,251,587.00	29,251,587.00	28,565,307.00
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				2,927,126.30				2,927,126.30	2,768,810.28
Reserve for Certain Assets Acquired or Receivables & Inventories	1,010,815.83			284,729.64				1,295,545.47	1,263,531.03
Fund Balance	<u>7,896,304.75</u>	<u>10,467.52</u>	<u>256,778.07</u>	<u>1,701,591.55</u>	<u>532,071.97</u>			<u>10,397,213.86</u>	<u>7,223,745.20</u>
	<u>\$ 14,162,761.59</u>	<u>\$ 3,723,914.20</u>	<u>\$ 30,624,249.10</u>	<u>\$ 6,136,066.21</u>	<u>\$ 765,780.23</u>	<u>\$ 25,533.60</u>	<u>\$ 29,251,587.00</u>	<u>\$ 84,689,891.93</u>	<u>\$ 82,439,446.94</u>

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

Revenue and Other Income Realized	Year 2018		Year 2017	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 1,900,000.00	3.67	\$ 1,900,000.00	3.84
Miscellaneous - From Other Than Local Property Tax Levies	7,488,504.86	14.48	6,236,134.63	12.59
Collection of Delinquent Taxes and Tax Title Liens	680,295.96	1.31	644,974.64	1.30
Collection of Current Tax Levies	<u>41,665,248.89</u>	<u>80.54</u>	<u>40,762,545.05</u>	<u>82.28</u>
Total Income	<u>51,734,049.71</u>	<u>100.00</u>	<u>49,543,654.32</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	18,007,763.69	37.71	16,928,521.63	36.84
County Taxes	5,135,230.03	10.75	4,981,015.43	10.84
Local School Taxes	24,024,360.00	50.31	23,435,216.00	51.00
Other Expenditures	<u>589,426.80</u>	<u>1.23</u>	<u>606,397.36</u>	<u>1.32</u>
Total Expenditures	<u>47,756,780.52</u>	<u>100.00</u>	<u>45,951,150.42</u>	<u>100.00</u>
Excess in Revenue	3,977,269.19		3,592,503.90	
Fund Balance January 1	<u>5,819,035.56</u>		<u>4,126,531.66</u>	
	9,796,304.75		7,719,035.56	
Less:				
Utilization as Anticipated Revenue	<u>1,900,000.00</u>		<u>1,900,000.00</u>	
Fund Balance December 31	<u>\$ 7,896,304.75</u>		<u>\$ 5,819,035.56</u>	

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

Revenue and Other <u>Income Realized</u>	Year 2018		Year 2017	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$ 158,316.02	4.32		
Rents	2,801,177.70	76.38	\$ 2,635,234.71	93.89
Miscellaneous From Other Than Membership Fees	<u>707,779.55</u>	<u>19.30</u>	<u>171,414.15</u>	<u>6.11</u>
Total Income	<u>3,667,273.27</u>	<u>100.00</u>	<u>2,806,648.86</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	2,556,800.00	92.69	2,404,100.00	97.05
Capital Improvements	20,000.00	0.73	50,000.00	2.02
Deferred Charges and Statutory Expenditures	<u>181,516.02</u>	<u>6.58</u>	<u>23,200.00</u>	<u>0.94</u>
Total Expenditures	<u>2,758,316.02</u>	<u>100.00</u>	<u>2,477,300.00</u>	<u>100.00</u>
Excess in Revenue	908,957.25		329,348.86	
Fund Balance January 1	<u>949,967.99</u>		<u>620,619.13</u>	
	1,858,925.24		949,967.99	
Less:				
Utilization as Anticipated Revenue	<u>158,316.02</u>		<u>-</u>	
Fund Balance December 31	<u>\$ 1,700,609.22</u>		<u>\$ 949,967.99</u>	

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

Revenue and Other Income Realized	Year 2018		Year 2017	
	Amount	%	Amount	%
Parking Meters	\$ 662,142.70	71.06	\$ 688,235.33	94.11
Parking Permits	33,803.38	3.63	29,045.25	3.97
Parking Deck Fees			12,800.00	1.75
Miscellaneous From Other Than Membership Fees	<u>235,847.16</u>	<u>25.31</u>	<u>1,198.15</u>	<u>0.16</u>
Total Income	<u>931,793.24</u>	<u>100.00</u>	<u>731,278.73</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	582,500.00	95.57	494,500.00	94.82
Deferred Charges and Statutory Expenditures	<u>27,000.00</u>	<u>4.43</u>	<u>27,000.00</u>	<u>5.18</u>
Total Expenditures	<u>609,500.00</u>	<u>100.00</u>	<u>521,500.00</u>	<u>100.00</u>
Excess in Revenue	322,293.24		209,778.73	
Fund Balance January 1	<u>209,778.73</u>		<u> </u>	
Fund Balance December 31	<u>\$ 532,071.97</u>		<u>\$ 209,778.73</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate:</u>	<u>\$3.596</u>	<u>\$3.522</u>	<u>\$3.379</u>
<u>Apportionment of Tax Rate:</u>			
Municipal:	<u>1.085</u>	<u>1.068</u>	<u>1.016</u>
County:	<u>0.442</u>	<u>0.430</u>	<u>0.418</u>
Local School:	<u>2.069</u>	<u>2.024</u>	<u>1.945</u>
<u>Assessed Valuation:</u>			
2018	<u>\$1,161,416,843.00</u>		
2017		<u>\$1,158,012,282.00</u>	
2016			<u>\$1,164,199,512.00</u>

*Per Abstract of Ratables, Somerset County, NJ

Note: Under the provisions of Chapter 129, L.1976, the County Board of Taxation estimated the amount of approved Veterans and Senior Citizens Tax Deductions for 2018 to be \$51,250.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Calendar Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 42,446,799.33	\$ 41,665,248.89	98.16%
2017	41,388,223.89	40,762,545.05	98.49%
2016	39,980,361.40	39,142,348.61	97.90%

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>
2018	\$ 265,692.03	\$ 663,312.35	\$ 929,004.38	2.19%
2017	332,638.00	522,736.85	855,374.85	2.07%
2016	245,535.43	729,931.42	975,466.85	2.44%

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>
2018	\$ 28,500.00
2017	28,500.00
2016	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	2018	\$ 7,896,304.75	\$ 1,850,000.00
	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
Sewer Utility Operating Fund	2018	\$ 1,700,609.22	\$ 165,000.00
	2017	949,967.99	158,316.02
	2016	620,619.13	None
	2015	10,676.57	None
	2014	78,877.46	70,947.00
Parking Utility Operating Fund	2018	\$ 532,071.97	None
	2017	209,778.73	None
	2016		None (1)

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

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2018:

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

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

All of the bonds were examined and were properly executed.

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



**PART V
GENERAL COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET, NEW JERSEY
YEAR ENDED DECEMBER 31, 2018**

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, 2018, 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, 2018, 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 August 21, 2019 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:

2018-1 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, 2018, 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, Road improvements, Sanitary Sewer Improvements, Street Sweeper

State Contracts:

Fire Fighting Safety Equipment

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, 2018, 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 17, 2018. 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 2018	10
CY 2017	8
CY 2016	8

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, 2018.

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, 2018. The minimum surety bond requirements for both the Tax Collector and Municipal Court were met for fiscal year 2018.

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 2018, 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, 2018. 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.

Cybersecurity

As part of its overall risk management, the Borough reviews security measures in place relating to its Information Technology (IT), including the use of specialized assessments. With the ever increasing challenges relating to cybersecurity, each organization determines what particular assessment or combination of assessments best fits its information security strategy. We suggest management continue to assess risks related to cybersecurity along with the utilization of specialized assessments, which would also include a periodic reporting mechanism to those charged with governance.

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.

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

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 2017, 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