



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

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

WITH
REPORT OF INDEPENDENT AUDITORS'

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

PART I

**REPORT ON AUDIT OF FINANCIAL
STATEMENTS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019**



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, (“Borough”), as of and for the years ended December 31, 2020 and 2019 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, 2020 and the related notes to the financial statements, which collectively comprise the Borough’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, (“Division”), as described in Note 2.. 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.

Auditors’ 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. Those standards and requirements 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 Borough’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 Borough’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.

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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 position of the Borough as of December 31, 2020, or the results of its operations and changes in fund balances for the year then ended.

Unmodified 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 as of December 31, 2020 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, 2020, on the regulatory basis of accounting described in Note 2.

Other Matters

Report on 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 the basis financial statements of the Borough. The information included in Part III – 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 III – 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Borough. The information included in Part II – 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. The information included in Part II – 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2021 on our consideration of the Borough’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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough’s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies
Certified Public Accountants



Andrew G. Hodulik
Registered Municipal Accountant
No. 406
Cranford, New Jersey
August 3, 2021

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND AND GRANT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>
Cash and Investments - Treasurer	A-4	\$ 13,603,116.47	\$ 13,345,750.61	Liabilities:			
Change Funds	A-5	400.00	400.00	Appropriation Reserves	A-3, A-14	\$ 1,893,087.72	\$ 990,198.45
Due from State of NJ SC/Vet Deductions	A-8	40,749.19	22,329.22	Reserve for Encumbrances	A-3, A-14	611,747.58	894,538.21
		<u>13,644,265.66</u>	<u>13,368,479.83</u>	Prepaid Property Taxes	A-7	417,093.82	356,259.23
				Tax Overpayments	A-15	397.32	5,999.35
Receivables and Other Assets With				Interfunds Payable	A-13	1,189,138.64	1,371,673.97
Full Reserves:				Various Payables	A-10	1,632.10	
Delinquent Prop. Taxes Receivable	A-7	577,300.93	585,858.97	Various Reserves	A-10	<u>104,006.51</u>	<u>104,006.51</u>
Tax Title Liens Receivable	A-7	403,785.63	299,908.53			4,217,103.69	3,722,675.72
Maintenance Liens Receivable	A-6	1,512.00	1,512.00				
Property Acquired for Taxes (At				Reserve for Receivables and Other Assets	Reserve	1,029,260.58	974,164.63
Assessed Valuation)	A-9	28,500.00	28,500.00	Fund Balance	A-1	<u>9,427,161.97</u>	<u>9,645,804.11</u>
Revenue Accounts Receivable	A-11	6,291.24	36,152.55				
Interfunds Receivable	A-13	<u>11,870.78</u>	<u>22,232.58</u>				
		<u>1,029,260.58</u>	<u>974,164.63</u>				
Total Current Fund		<u>14,673,526.24</u>	<u>14,342,644.46</u>	Total Current Fund		<u>14,673,526.24</u>	<u>14,342,644.46</u>
Grant Fund:				Grant Fund:			
State and Federal Grants Receivable	A-16	1,278,622.45	1,351,275.95	Reserve for Encumbrances	A-18	474,968.26	59,611.94
Interfunds Receivable	A-17	<u>962,049.18</u>	<u>1,144,584.51</u>	Reserve for State and Federal Grants:			
				Appropriated	A-18	1,763,468.37	2,434,013.52
				Unappropriated	A-19	<u>2,235.00</u>	<u>2,235.00</u>
Total Grant Fund		<u>2,240,671.63</u>	<u>2,495,860.46</u>	Total Grant Fund		<u>2,240,671.63</u>	<u>2,495,860.46</u>
		<u>\$ 16,914,197.87</u>	<u>\$ 16,838,504.92</u>			<u>\$ 16,914,197.87</u>	<u>\$ 16,838,504.92</u>

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
YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
Fund Balance Appropriated	A-2	\$ 4,343,000.00	\$ 1,850,000.00
Miscellaneous Revenues Anticipated	A-2	5,347,460.31	6,581,831.33
Receipts from Delinquent Taxes	A-2	584,710.40	574,718.97
Receipts from Current Taxes	A-2	43,029,940.84	42,354,214.12
Non-Budget Revenue	A-2	252,008.15	460,625.85
Other Credits to Income:			
Interfund Loans Advanced (Net)	A-13	10,361.80	
Due from Animal Control - Statutory Excess	A-13	6,616.40	5,255.58
Grant Reserve/Receivable Canceled, net	A-13	0.39	
Unexpended Balance of Approp. Reserves	A-14	1,224,342.69	1,029,771.05
		<hr/>	<hr/>
Total Revenues		54,798,440.98	52,856,416.90
		<hr/>	<hr/>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating Within CAPS:			
Operating	A-3	13,064,525.00	12,699,300.00
Def. Charges and Statutory Expend.	A-3	1,547,678.00	1,534,747.00
Operating Excluded from CAPS:			
Operating	A-3	221,713.14	681,320.96
Capital Improvements	A-3	2,650,000.00	115,000.00
Municipal Debt Service	A-3	2,490,014.87	4,044,112.85
Local District School Tax	A-12	24,772,858.00	24,322,558.00
County Tax	A-12	5,314,089.90	5,245,284.01
County Added Tax	A-12	8,341.70	10,370.38
Downtown Somerville Alliance Tax	A-12	604,862.51	598,968.76
Interfund Loans Advanced (Net)			5,255.58
		<hr/>	<hr/>
Total Expenditures		50,674,083.12	49,256,917.54
		<hr/>	<hr/>
Excess in Revenues over Expenditures/Statutory Excess		4,124,357.86	3,599,499.36
 <u>FUND BALANCE</u>			
Balance - January 1	A	9,645,804.11	7,896,304.75
		<hr/>	<hr/>
		13,770,161.97	11,495,804.11
Decreased by:			
Utilization as Anticipated Revenue	A-1	4,343,000.00	1,850,000.00
		<hr/>	<hr/>
Balance - December 31	A	\$ 9,427,161.97	\$ 9,645,804.11
		<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements

CURRENT FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	REF.	ANTICIPATED 2020 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated		\$ 4,343,000.00	\$	\$ 4,343,000.00	\$
Total Surplus Anticipated	A-1	<u>4,343,000.00</u>		<u>4,343,000.00</u>	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		30,000.00		32,984.50	2,984.50
Other		30,000.00		29,783.00	(217.00)
Fees and Permits		125,000.00		159,199.00	34,199.00
Fines and Costs:					
Municipal Court		350,000.00		177,678.06	(172,321.94)
Interest and Costs on Taxes		150,000.00		161,723.32	11,723.32
Interest on Investments and Deposits		75,000.00		135,356.37	60,356.37
Recreation Programs		50,000.00		21,677.00	(28,323.00)
Sale of Garbage Decals		20,000.00		24,762.00	4,762.00
Rent of Office Facilities		4,000.00		5,010.00	1,010.00
Energy Receipts Tax		1,404,290.00		1,404,290.00	-
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		350,000.00		1,093,458.00	743,458.00
Public and Private Revenues Offset with Approps.:					
Body Armor Replacement fund		3,185.90		3,185.90	-
Clean Communities			21,997.11	21,997.11	-
EMAA Grant - Office of Emergency Management			10,000.00	10,000.00	-
Municipal Alcohol Ed. Rehab Grant			3,000.74	3,000.74	-
Municipal Alliance Grant		11,029.36		11,029.36	-
Recycling Tonnage Grant		8,475.13		8,475.13	-
Regional Center Partnership Challenge Som-Pop Retail Grant			40,000.00	40,000.00	-
Other Special Items:					
Uniform Fire Safety Act		90,000.00		115,435.13	25,435.13
Cable TV Franchise Fees		149,031.55		149,031.55	-
Somerville Senior Citizen Housing Inc.		100,000.00		105,441.31	5,441.31
JSM - P.I.L.O.T.		430,000.00		432,544.72	2,544.72
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		127,228.72	2,228.72
COBOLT - 70 - VWD - P.I.L.O.T.		155,000.00		147,798.69	(7,201.31)
PILOT - RWJ University Hospital		311,000.00		311,000.00	-
Storms - 6 N. Doughty - P.I.L.O.T.		16,000.00		28,403.22	12,403.22
PILOT - SOMA - Bridge St		64,000.00		61,405.08	(2,594.92)
PILOT - Desapio - 46 Main		100,000.00		105,562.40	5,562.40
Total Miscellaneous Revenues	A-1	<u>4,571,011.94</u>	<u>74,997.85</u>	<u>5,347,460.31</u>	<u>701,450.52</u>
Receipts from Delinquent Taxes	A-1,A-2	<u>515,000.00</u>		<u>584,710.40</u>	<u>69,710.40</u>
Subtotal General Revenues		<u>5,086,011.94</u>	<u>74,997.85</u>	<u>5,932,170.71</u>	<u>771,160.92</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>12,917,496.45</u>		<u>14,479,788.73</u>	<u>1,562,292.28</u>
Total General Revenues		<u>22,346,508.39</u>	<u>74,997.85</u>	<u>24,754,959.44</u>	<u>\$ 2,333,453.20</u>
Non-Budget Revenues	A-1			<u>252,008.15</u>	
		<u>\$ 22,346,508.39</u>	<u>\$ 74,997.85</u>	<u>\$ 25,006,967.59</u>	
() Denotes Deficit	REF.	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
YEAR ENDED DECEMBER 31, 2020

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2020 Collections	A-7	\$ 42,613,195.19	
Prepaid Taxes Applied	A-7	356,259.23	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-7	<u>60,486.42</u>	
	A-1		\$ 43,029,940.84
<u>Allocated to:</u>			
Local School Tax	A-12	24,772,858.00	
County Taxes	A-12	5,314,089.90	
Added County Taxes	A-12	8,341.70	
Special District Tax	A-12	<u>604,862.51</u>	
			<u>30,700,152.11</u>
			12,329,788.73
Add: Reserve for Uncollected Taxes	A-3		<u>2,150,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 14,479,788.73</u>
<u>Allocation of Delinquent Tax Collections:</u>			
Collections	A-7		<u>\$ 584,710.40</u>
	A-2		<u>\$ 584,710.40</u>

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	EXPENDED			UNEXPENDED BALANCE <u>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	\$ 235,000.00	\$ 213,569.35	\$	\$ 21,430.65	\$
Other Expenses	415,650.00	475,650.00	271,219.23	17,608.03	186,822.74	
Borough Clerk						
Salaries and Wages	69,500.00	69,500.00	69,500.00		-	
Elections						
Salaries and Wages	2,000.00	2,000.00	429.84		1,570.16	
Other Expenses	4,000.00	4,000.00	2,195.47		1,804.53	
Financial Administration						
Salaries and Wages	140,000.00	140,000.00	113,981.03		6,018.97	20,000.00
Other Expenses	57,000.00	57,000.00	17,802.59	3,436.37	35,761.04	
Audit	52,000.00	52,000.00		51,970.00	30.00	
Assessment of Taxes						
Salaries and Wages	28,300.00	28,300.00	27,602.12		697.88	
Other Expenses	3,350.00	3,350.00	1,965.35		1,384.65	
Collection of Taxes						
Salaries and Wages	115,000.00	115,000.00	90,886.77		4,113.23	20,000.00
Other Expenses	12,300.00	12,300.00	7,497.60	600.00	4,202.40	
Legal Services and Costs						
Other Expenses	116,000.00	116,000.00	58,940.77	4,333.00	52,726.23	
Municipal Prosecutor						
Other Expenses	20,000.00	20,000.00	18,333.26	1,666.74	0.00	
Engineering Services and Costs						
Salaries and Wages	10,000.00	10,000.00	9,230.88		769.12	
Other Expenses	23,000.00	23,000.00	17,690.38	4,995.30	314.32	
Public Bldgs. and Grounds						
Salaries and Wages	93,000.00	93,000.00	87,808.13		5,191.87	
Other Expenses	176,800.00	176,800.00	86,908.94	25,729.89	64,161.17	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Other Expenses	12,550.00	12,550.00	5,790.94	155.00	6,604.06	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	EXPENDED			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operations Within "CAPS" (Cont'd.)						
<u>GENERAL GOVERNMENT:</u>						
Department of Technology						
Other Expenses	\$ 166,500.00	\$ 166,500.00	\$ 124,314.52	\$ 2,140.32	\$ 40,045.16	\$
Zoning Board of Adjustment						
Other Expenses	7,750.00	7,750.00	5,165.30	375.00	2,209.70	
Insurance						
Group Insurance	1,138,000.00	1,078,000.00	843,823.44	7,500.00	226,676.56	
Other Insurance Premiums	866,000.00	866,000.00	839,456.00	56.00	26,488.00	
Prescription Drug/Dental Program	70,000.00	70,000.00	53,210.39		16,789.61	
<u>PUBLIC SAFETY:</u>						
Fire						
Salaries and Wages	137,000.00	137,000.00	126,342.08		10,657.92	
Other Expenses	170,900.00	170,900.00	102,911.09	62,905.82	5,083.09	
Uniform Fire Safety Act (PL 1983,Ch 383)						
Salaries and Wages	118,000.00	118,000.00	67,367.83		632.17	50,000.00
Other Expenses	8,025.00	8,025.00	1,982.43		6,042.57	
Police						
Salaries and Wages	3,945,500.00	3,945,500.00	3,923,611.61		21,888.39	
Other Expenses	245,200.00	245,200.00	133,891.79	91,480.61	19,827.60	
First Aid Organization - Contribution	70,000.00	70,000.00	70,000.00		-	
Emergency Management Services						
Other Expenses	25,650.00	25,650.00	17,182.10	1,546.70	6,921.20	
School Crossing Guard - Contractual	215,000.00	215,000.00	104,580.65	50,419.35	10,000.00	50,000.00
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	655,000.00	655,000.00	564,947.82		90,052.18	
Other Expenses	488,250.00	488,250.00	145,810.74	61,393.63	281,045.63	
Snow Removal						
Other Expenses	46,000.00	46,000.00		10,000.00	36,000.00	
Sanitary Sewer System						
Other Expenses	22,000.00	22,000.00			22,000.00	
Garbage and Trash Collection						
Other Expenses	827,000.00	827,000.00	614,176.23	126,733.40	86,090.37	
Recycling						
Other Expenses	140,000.00	140,000.00	122,825.51	8,475.13	8,699.36	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	EXPENDED			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operations Within "CAPS" (Cont'd.)						
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Salaries and Wages	\$ 113,500.00	\$ 113,500.00	\$ 112,905.83		\$ 594.17	
Other Expenses	120,000.00	120,000.00	116,492.04		3,507.96	
Dog Regulations - Contractual						
Other Expenses	36,500.00	36,500.00	35,500.00		1,000.00	
<u>RECREATION AND EDUCATION:</u>						
Parks and Playgrounds						
Salaries and Wages	40,000.00	40,000.00			40,000.00	
Other Expenses	196,500.00	196,500.00	90,364.25	9,751.18	96,384.57	
Recreation						
Salaries and Wages	125,000.00	128,800.00	117,335.61		11,464.39	
Other Expenses	136,800.00	133,000.00	23,472.40		34,527.60	75,000.00
Celebration of Public Events						
Other Expenses	1,000.00	1,000.00			1,000.00	
Municipal Court						
Salaries and Wages	31,000.00	31,000.00	30,850.50		149.50	
Other Expenses	235,000.00	235,000.00	216,710.64	1,937.10	16,352.26	
<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	265,000.00	265,000.00	239,360.32		5,639.68	20,000.00
Other Expenses	49,000.00	49,000.00	13,713.54	600.00	34,686.46	
Electrical Inspector						
Salaries and Wages	110,000.00	110,000.00	109,855.98		144.02	
Matching Funds for Grants	10,000.00	10,000.00	2,757.34		7,242.66	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	EXPENDED			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operations Within "CAPS" (Contd.)						
UNCLASSIFIED:						
Street Lighting	\$ 260,000.00	\$ 260,000.00	\$ 198,455.47	\$ 32,138.41	\$ 29,406.12	\$
Fire Hydrant Fees	160,000.00	160,000.00	124,831.42	98.98	35,069.60	
Telephone	97,000.00	97,000.00	80,010.08	3,986.65	13,003.27	
Water	30,000.00	30,000.00	17,650.96	3,973.96	8,375.08	
Electricity	200,000.00	200,000.00	117,475.24	14,380.28	68,144.48	
Gasoline	105,000.00	105,000.00	44,754.90	11,360.73	48,884.37	
Accumulated Sick Leave						
Salaries and Wages	30,000.00	30,000.00	30,000.00		-	
Total Operations Within "CAPS"	<u>13,298,525.00</u>	<u>13,298,525.00</u>	<u>10,685,448.70</u>	<u>611,747.58</u>	<u>1,766,328.72</u>	<u>235,000.00</u>
Contingent	<u>1,000.00</u>	<u>1,000.00</u>			<u>1,000.00</u>	
Total Operations Including Contingent Within "CAPS"	<u>13,299,525.00</u>	<u>13,299,525.00</u>	<u>10,685,448.70</u>	<u>611,747.58</u>	<u>1,767,328.72</u>	<u>235,000.00</u>
DETAIL:						
Salaries and Wages	6,262,800.00	6,266,600.00	5,935,585.70	-	221,014.30	110,000.00
Other Expenses	7,036,725.00	7,032,925.00	4,749,863.00	611,747.58	1,546,314.42	125,000.00
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	279,544.00	279,544.00	237,544.00		-	42,000.00
Social Security System (O.A.S.I.)	230,000.00	230,000.00	204,342.66		25,657.34	
Police and Firemen's Retirement	1,075,134.00	1,075,134.00	1,075,134.00		-	
State Unemployment Insurance	5,000.00	5,000.00	4,898.34		101.66	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,589,678.00</u>	<u>1,589,678.00</u>	<u>1,521,919.00</u>	<u>-</u>	<u>25,759.00</u>	<u>42,000.00</u>
Total General Approp. for Municipal Purposes Within "CAPS"	<u>14,889,203.00</u>	<u>14,889,203.00</u>	<u>12,207,367.70</u>	<u>611,747.58</u>	<u>1,793,087.72</u>	<u>277,000.00</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	EXPENDED			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
L.O.S.A.P. Contribution:						
First aid Organization	\$ 32,000.00	\$ 32,000.00	\$ 24,024.90	\$ -	\$ -	\$ 7,975.10
Reserve for Tax Appeals	100,000.00	100,000.00	-	-	100,000.00	-
State and Federal Programs Offset by Revenues:						
Body Armor Grant	3,185.90	3,185.90	3,185.90	-	-	-
Clean Communities	-	21,997.11	21,997.11	-	-	-
EMAA Grant - Office of Emergency Management	-	10,000.00	10,000.00	-	-	-
Municipal Alcohol Education/Rehabilitation Program	-	3,000.74	3,000.74	-	-	-
Municipal Alliance on Alcohol & Drug Abuse	11,029.36	11,029.36	11,029.36	-	-	-
Regional Center Partnership Challenge Som-Pop Retail Grant	-	40,000.00	40,000.00	-	-	-
Recycling Tonnage Grant	8,475.13	8,475.13	8,475.13	-	-	-
Total Operations - Excluded from "CAPS"	<u>154,690.39</u>	<u>229,688.24</u>	<u>121,713.14</u>	<u>-</u>	<u>100,000.00</u>	<u>7,975.10</u>
DETAIL:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	154,690.39	229,688.24	121,713.14	-	100,000.00	7,975.10

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	EXPENDED		UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u> <u>RESERVED</u>	
<u>Capital Improvements - Excluded from "CAPS"</u>					
Capital Improvement Fund	\$ 2,650,000.00	\$ 2,650,000.00	\$ 2,650,000.00	\$	\$
Total Capital Improvements - Excluded from "CAPS"	<u>2,650,000.00</u>	<u>2,650,000.00</u>	<u>2,650,000.00</u>	-	
<u>Municipal Debt Service - Excluded from "CAPS":</u>					
Payment of Bond Principal	1,620,000.00	1,620,000.00	1,620,000.00		-
Interest on Bonds	326,350.00	326,350.00	324,874.26		1,475.74
Interest on Notes	66,000.00	66,000.00	66,000.00		-
Green Trust Loan Program					
Loan Repayment for Principal	220,195.00	220,195.00	220,194.13		0.87
Loan Repayment for Interest	34,150.00	34,150.00	33,546.61		603.39
Somerset County Improvement Authority:					
Capital Lease Program:					
Capital Lease Program Principal	206,420.00	206,420.00	197,787.81		8,632.19
Capital Lease Program Interest	<u>29,500.00</u>	<u>29,500.00</u>	<u>27,612.06</u>		<u>1,887.94</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,502,615.00</u>	<u>2,502,615.00</u>	<u>2,490,014.87</u>	-	<u>12,600.13</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	EXPENDED			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 5,307,305.39	\$ 5,382,303.24	\$ 5,261,728.01	\$ -	\$ 100,000.00	\$ 20,575.23
Subtotal General Appropriations	20,196,508.39	20,271,506.24	17,469,095.71	611,747.58	1,893,087.72	297,575.23
Reserve for Uncollected Taxes	<u>2,150,000.00</u>	<u>2,150,000.00</u>	<u>2,150,000.00</u>		-	
Total General Appropriations	\$ <u>22,346,508.39</u>	\$ <u>22,421,506.24</u>	\$ <u>19,619,095.71</u>	\$ <u>611,747.58</u>	\$ <u>1,893,087.72</u>	\$ <u>297,575.23</u>
	<u>REF.</u>					
	A-2			A	A	
Adopted Budget	A-2	\$ 22,346,508.39				
Added by N.J.S.A. 40A:4-87	A-2	<u>74,997.85</u>				
		\$ <u>22,421,506.24</u>				
Disbursed	A-4		\$ 17,368,650.13			
Reserve for Uncollected Taxes	A-2		2,150,000.00			
Public & Private Programs Approp.	A-13		<u>100,445.58</u>			
			\$ <u>19,619,095.71</u>			

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

Exhibit B

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2020</u>	<u>BALANCE DEC. 31, 2019</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2020</u>	<u>BALANCE DEC. 31, 2019</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>23,810.78</u>	<u>36,450.38</u>	Due to Current Fund	B-2	11,870.78	22,232.58
				Due to State of NJ	B-2	1.20	
				Reserve to Pay Animal Control Fund Expenditures	B-2	<u>11,938.80</u>	<u>14,217.80</u>
Total Animal Control Fund		<u>23,810.78</u>	<u>36,450.38</u>	Total Animal Control Fund		<u>23,810.78</u>	<u>36,450.38</u>
Trust-Other Fund:				Trust-Other Fund:			
Cash - Treasurer	B-2	3,739,320.09	3,199,380.30	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	42,578.08	115,743.66
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	2,389,201.71	2,250,993.45
				CDBG Expenditures	B-2	44,385.89	44,385.89
				Unemployment Insurance Fund	B-2	93,156.33	80,895.69
				Sanitary Landfill Closure	B-2		10,444.39
				Builders Escrow	B-2	106,585.70	85,306.02
				Tax Redemption Trust	B-2	604,100.00	325,800.00
				Recreation Commission	B-2	114,691.37	113,243.76
				Housing Assistance Program	B-2	220,815.31	46,797.46
				Law Enforcement Trust Fund	B-2	66,059.17	43,488.49
				Payroll Agency	B-2	294,500.18	321,967.00
				Credit Card Fee Accounts	B-2	<u>5,870.06</u>	<u>2,938.20</u>
Total Trust-Other Fund		<u>4,021,477.40</u>	<u>3,481,537.61</u>	Total Trust-Other Fund		<u>4,021,477.40</u>	<u>3,481,537.61</u>
		<u>\$ 4,060,663.54</u>	<u>\$ 3,533,363.35</u>			<u>\$ 4,060,663.54</u>	<u>\$ 3,533,363.35</u>

See Accompanying 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, 2020

	<u>REF.</u>	
Balance - December 31, 2019	B	\$ 10,467.52
Balance - December 31, 2020	B	<u>\$ 10,467.52</u>

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31,</u> <u>2020</u>	<u>BALANCE</u> <u>DEC. 31,</u> <u>2019</u>
Cash	C- 2	\$ 4,858,971.02	\$ 1,944,103.64
Due from Various Grantor Agencies	C- 7	4,175,639.02	4,927,924.99
Due from Somerset County Improvement Authority	C-12	3,303.34	3,303.34
Deferred Charges to Future Taxation:			
Funded	C- 5	19,713,701.32	17,244,262.85
Unfunded	C- 6	<u>7,893,995.55</u>	<u>5,572,162.55</u>
		<u>\$ 36,645,610.25</u>	<u>\$ 29,691,757.37</u>
<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
General Serial Bonds Payable	C-10	\$ 14,895,000.00	\$ 11,940,000.00
NJEIT Loan Payable	C-11	3,606,233.78	3,826,427.91
SCIA Leases Payable	C-16	1,212,467.54	1,477,834.94
Bond Anticipation Notes	C- 9		3,715,000.00
Improvement Authorizations:			
Funded	C-8	5,009,790.06	2,568,734.82
Unfunded	C-8	7,831,881.30	2,849,047.06
Reserve for Encumbrances Payable	C-8	467,890.76	655,876.65
Reserve for Payment of Future Debt Service ERG	C-13	1,098,987.61	948,525.61
Reserve for Payment of Future Debt Service	C-14	785,480.30	503,264.48
Reserve for Grants Receivable	C-15		866,167.00
Capital Improvement Fund	C- 4	1,465,011.83	68,011.83
Fund Balance	C- 1	<u>272,867.07</u>	<u>272,867.07</u>
		<u>\$ 36,645,610.25</u>	<u>\$ 29,691,757.37</u>
Bonds and Notes Authorized but not Issued	C-17	<u>\$ 7,893,995.55</u>	<u>\$ 1,857,162.55</u>

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, 2020

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 272,867.07
Balance - December 31, 2020	C	<u>\$ 272,867.07</u>

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 2,169,674.58	\$ 1,615,430.75	Liabilities:			
Change Fund	D-6	50.00	50.00	Appropriation Reserves	D-4, D-12	\$ 190,173.12	\$ 363,254.77
Interfunds Receivable	D-14	<u>524,095.80</u>	<u>522,864.63</u>	Reserve for Encumbrances	D-4, D-12	120,048.57	99,994.00
		<u>2,693,820.38</u>	<u>2,138,345.38</u>	Rent Overpayments	D-9	25,850.47	17,521.86
Receivables With Full Reserves:				Prepaid Sewer Charges	D-10	-	2,311.23
Consumer Accounts Receivable	D-8	316,741.35	289,812.13	Accrued Interest	D-23	<u>4,867.50</u>	<u>1,181.74</u>
Sewer Utility Liens	D-11	<u>1,850.00</u>	<u>1,850.00</u>			340,939.66	484,263.60
		<u>318,591.35</u>	<u>291,662.13</u>	Reserve for Receivables	Reserve	318,591.35	291,662.13
				Fund Balance	D-1	<u>2,352,880.72</u>	<u>1,654,081.78</u>
Total Operating Fund		<u>3,012,411.73</u>	<u>2,430,007.51</u>	Total Operating Fund		<u>3,012,411.73</u>	<u>2,430,007.51</u>
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-5	1,109,248.65	595,867.82	Bond Anticipation Notes	D-16		442,000.00
Fixed Capital	D-13	3,549,877.57	3,360,258.40	Sewer Bonds Payable	D-24	1,060,000.00	
Fixed Capital - Authorized and Uncompleted	D-15	<u>4,529,166.23</u>	<u>368,785.40</u>	Improvement Authorizations			
				Funded	D-17	403,860.90	8,407.92
				Unfunded	D-17	4,037,002.91	315,339.68
				Encumbrances Payable	D-17	87,071.25	45,037.80
				Capital Improvement Fund	D-18	67,500.00	65,000.00
				Down Payment on Improvements	D-19	732.00	732.00
				Due to Sewer Operating Fund	D-20	512,516.76	511,285.59
				Reserve for Amortization	D-21	2,580,727.78	2,580,727.78
				Deferred Reserve for Amortization	D-22	372,816.02	355,316.02
				Reserve for Payment of Debt Service	D-25	65,000.00	
				Fund Balance	D-2	<u>1,064.83</u>	<u>1,064.83</u>
Total Capital Fund		<u>9,188,292.45</u>	<u>4,324,911.62</u>	Total Capital Fund		<u>9,188,292.45</u>	<u>4,324,911.62</u>
		<u>\$ 12,200,704.18</u>	<u>\$ 6,754,919.13</u>			<u>\$ 12,200,704.18</u>	<u>\$ 6,754,919.13</u>

Bonds and Notes Authorized but not issued at December 31, 2020 and 2019 were \$4,065,500.00 and \$351,000.00, respectively. (Exhibit D-24)

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, 2020 AND 2019

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
Fund Balance	D-3	\$ 137,000.00	\$ 165,000.00
Sewer Use Charges	D-3	2,743,349.97	2,669,041.08
Miscellaneous	D-3	934,399.95	226,394.81
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	D-12	<u>66,049.05</u>	<u>7,036.67</u>
Total Revenues		<u>3,880,798.97</u>	<u>3,067,472.56</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	200,000.00	235,000.00
Other Expenses	D-4	2,771,000.00	2,650,000.00
Capital Improvements	D-4	20,000.00	20,000.00
Debt Service	D-4	9,000.00	
Statutory Expenditures and Deferred Charges	D-4	<u>45,000.00</u>	<u>44,000.00</u>
Total Expenditures		<u>3,045,000.00</u>	<u>2,949,000.00</u>
Excess in Revenues		835,798.97	118,472.56
 <u>FUND BALANCE</u>			
Balance - January 1	D	<u>1,654,081.78</u>	<u>1,700,609.22</u>
		2,489,880.75	1,819,081.78
Decreased by:			
Utilization as Anticipated Revenue	D-1	<u>137,000.00</u>	<u>165,000.00</u>
Balance - December 31	D	<u>\$ 2,352,880.75</u>	<u>\$ 1,654,081.78</u>

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, 2020

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 1,064.83
Balance - December 31, 2020	D	<u>\$ 1,064.83</u>

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, 2020

	<u>REF.</u>	2020 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance	D-1	\$ 137,000.00	\$ 137,000.00	\$
Sewer Use Charges	D-1	2,765,000.00	2,743,349.97	(21,650.03)
Miscellaneous	D-1	<u>223,000.00</u>	<u>934,399.95</u>	<u>711,399.95</u>
		<u>\$ 3,125,000.00</u>	<u>\$ 3,814,749.92</u>	<u>\$ 689,749.92</u>
	<u>Ref.</u>	D-4		
Analysis of Realized Revenues:				
Analysis of Sewer Use Charges:				
Sewer Use Collections	D-8		\$ 2,741,038.74	
Prepays Applied	D-8		<u>2,311.23</u>	
			<u>\$ 2,743,349.97</u>	
Analysis of Miscellaneous Revenues:				
Connection Fees			\$ 879,197.31	
Interest on Delinquent Taxes			42,120.79	
Miscellaneous			<u>13,081.85</u>	
	D-5		<u>\$ 934,399.95</u>	

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, 2020

	<u>2020</u>	<u>BUDGET AFTER</u>	<u>EXPENDED</u>			<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>PAID OR</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u>
			<u>CHARGED</u>			<u>CANCELLED</u>
Operating:						
Salaries and Wages	\$ 240,000.00	\$ 240,000.00	\$ 194,725.59	\$	\$ 5,274.41	\$ 40,000.00
Other Expenses	368,500.00	368,500.00	229,198.43	15,300.57	124,001.00	
Share of Costs	2,252,500.00	2,252,500.00	2,191,602.71		60,897.29	
NJDEP/ACO	150,000.00	150,000.00	45,251.58	104,748.00	0.42	
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00			
Debt Service:						
Interest on Bonds	2,000.00	2,000.00	2,000.00			-
Interest on Notes	7,000.00	7,000.00	7,000.00			
Deferred Charges:						
Deferred Unfunded Ordinances	40,000.00	40,000.00				40,000.00
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	27,000.00	27,000.00	27,000.00			
Social Security System (O.A.S.I.)	18,000.00	18,000.00	18,000.00		-	
Total Sewer Utility Appropriations	\$ 3,125,000.00	\$ 3,125,000.00	\$ 2,734,778.31	\$ 120,048.57	\$ 190,173.12	\$ 80,000.00
<u>Ref.</u>	D-3		D-1	D,D-1	D	
Disbursed	D-5		\$ 2,725,778.31			
Accrued Interest on Bonds and Notes	D-23		9,000.00			
			<u>\$ 2,734,778.31</u>			

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2020</u>	<u>BALANCE DEC. 31, 2019</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2020</u>	<u>BALANCE DEC. 31, 2019</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	E-4	\$ <u>939,849.38</u>	\$ <u>1,126,649.47</u>	Liabilities:			
		<u>939,849.38</u>	<u>1,126,649.47</u>	Appropriation Reserves	E-3,E-6	\$ 88,251.30	\$ 165,681.05
				Reserve for Encumbrances	E-3,E-6	80,750.28	103,174.26
				Accounts Payable	E-7	<u>30,000.00</u>	<u>6,500.00</u>
						199,001.58	275,355.31
				Fund Balance	E-1	<u>740,847.80</u>	<u>851,294.16</u>
Total Operating Fund		<u>939,849.38</u>	<u>1,126,649.47</u>	Total Operating Fund		<u>939,849.38</u>	<u>1,126,649.47</u>
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	E-4	174,525.00		Improvement Authorizations			
Fixed Capital - Authorized and				Funded	E-9	174,525.00	
Uncompleted	E-8	<u>175,000.00</u>		Deferred Reserve for Amortization	E-10	<u>175,000.00</u>	
Total Capital Fund		<u>349,525.00</u>	<u>-</u>	Total Capital Fund		<u>349,525.00</u>	<u>-</u>
		<u>\$ 1,289,374.38</u>	<u>\$ 1,126,649.47</u>			<u>\$ 1,289,374.38</u>	<u>\$ 1,126,649.47</u>

There were no Bonds and Notes Authorized but not issued at December 31, 2020 or 2019.

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
Fund Balance	E-2	\$ 275,000.00	\$
Parking Meters	E-2	283,889.57	699,503.51
Parking Permits	E-2	19,109.76	28,248.41
Parking Deck Fees	E-2	19,200.00	48,640.00
Miscellaneous	E-2	18,751.63	12,643.02
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	E-6	178,602.68	206,687.25
Accounts Payable Cancelled	E-7	6,500.00	
		<hr/>	<hr/>
Total Revenues		<u>801,053.64</u>	<u>995,722.19</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	E-3	113,500.00	155,000.00
Other Expenses	E-3	323,000.00	499,500.00
Capital Improvements	E-3	175,000.00	
Statutory Expenditures and Deferred Charges	E-3	25,000.00	22,000.00
		<hr/>	<hr/>
Total Expenditures		<u>636,500.00</u>	<u>676,500.00</u>
Excess in Revenues		164,553.64	319,222.19
 <u>FUND BALANCE</u>			
Balance - January 1	E	<u>851,294.16</u>	<u>532,071.97</u>
		1,015,847.80	851,294.16
Decreased by:			
Utilization as Anticipated Revenue	E- 1	<u>275,000.00</u>	<hr/>
	E	<u>\$ 740,847.80</u>	<u>\$ 851,294.16</u>
Balance - December 31		<hr/> <hr/>	<hr/> <hr/>

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, 2020

	<u>REF.</u>	2020 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance	E-1	\$ 275,000.00	\$ 275,000.00	\$
Parking Meters	E-1,E-4	515,000.00	283,889.57	(231,110.43)
Parking Permits	E-1,E-4	21,500.00	19,109.76	(2,390.24)
Parking Deck Fees	E-1,E-4	10,000.00	19,200.00	9,200.00
Desapio Deck Contribution	E-1,E-4	76,000.00		(76,000.00)
Miscellaneous	E-1,E-4		18,751.63	18,751.63
		<u>\$ 897,500.00</u>	<u>\$ 615,950.96</u>	<u>\$ (281,549.04)</u>

Ref. E-3

Analysis of Realized Revenues:

Analysis of Parking Meters:

Parking Meters - Parking Utility	E-4	\$ 283,889.57
		<u>\$ 283,889.57</u>

Analysis of Miscellaneous Revenues:

Interest on Investments	E-4	\$ 7,015.69
Electronic Charging Station	E-4	959.29
Prior Year Void Check	E-4	1,172.65
Parking Impact Fees	E-4	9,604.00
		<u>\$ 18,751.63</u>

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, 2020

	2020 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operating:						
Salaries and Wages	\$ 173,500.00	\$ 173,500.00	\$ 108,039.10		\$ 5,460.90	\$ 60,000.00
Other Expenses	524,000.00	524,000.00	159,459.32	80,750.28	82,790.40	201,000.00
Capital Improvements:						
Capital Improvement Fund	175,000.00	175,000.00	175,000.00		-	
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	15,000.00	15,000.00	15,000.00		-	
Social Security System (O.A.S.I.)	10,000.00	10,000.00	10,000.00		-	
Total Parking Utility Appropriations	<u>\$ 897,500.00</u>	<u>\$ 897,500.00</u>	<u>\$ 467,498.42</u>	<u>\$ 80,750.28</u>	<u>\$ 88,251.30</u>	<u>\$ 261,000.00</u>
<u>Ref.</u>	E-2	E-2	E-1,E-4	E,E-1	E	

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
PUBLIC ASSISTANCE TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	BALANCE <u>Dec. 31, 2020</u>	BALANCE <u>Dec. 31, 2019</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>

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS
 REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

	<u>BALANCE</u> <u>DEC. 31, 2020</u>	<u>BALANCE</u> <u>DEC. 31, 2019</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>8,424,125.00</u>	<u>8,709,707.00</u>
Total Governmental Fixed Assets	<u>\$ 29,494,225.00</u>	<u>\$ 29,779,807.00</u>
Investment in Governmental Fixed Assets	<u>\$ 29,494,225.00</u>	<u>\$ 29,779,807.00</u>

See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 1: FORM OF GOVERNMENT

The Borough of Somerville (“Borough”) operates under the provisions 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 include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough do not include the operations of the municipal library.

B. Description of Funds

The accounting policies of the Borough 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 regulatory-basis of accounting, the Borough 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 Utility Operating and Capital Funds – account for the operations and acquisition of capital facilities of the municipally-owned Sewer Utility.

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

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

B. Description of Funds (Cont'd.)

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

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

C. Basis of Accounting

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

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

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

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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 and Parking Utility Funds are recorded in the capital account at 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 funds represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utilities do 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 proportionate 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. The audited financial information related to pensions is released annually by the State’s Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the State of New Jersey Department of Community Affairs, Division of Local Government Services (DLGS) issued Local Finance Notice 2021-10 on May 26, 2021.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

C. Basis of Accounting (Cont'd.)

Disclosures About Pension Liabilities (cont'd.) To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the DLGS discretion to permit the most recent available audited GASB 68 financial information to be incorporated into the audited financial statements. As a result, the latest available audited information is presented in Note 7.

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. The audited financial information related to OPEB liabilities is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the State of New Jersey Department of Community Affairs, Division of Local Government Services (DLGS) issued Local Finance Notice 2021-10 on May 26, 2021. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the DLGS discretion to permit the most recent available audited GASB 75 financial information to be incorporated into the audited financial statements. As a result, the latest available audited information is presented in Note 8.

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.

Regulatory Basis Financial Statements – The GASB Codification also defines the financial statements of a governmental unit to be presented in the basic financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

Recent Accounting Standards

GASB issued Statement No. 92 *Omnibus 2020* in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Due to the COVID-19 pandemic GASB 95 which was issued in May 2020 has extended the implementation date to June 15, 2022. Earlier application is encouraged.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards (cont'd.)

GASB issued Statement No. 93 *Replacement of Interbank Offered Rates* in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

GASB issued Statement No. 93 (cont'd.) The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Due to the COVID-19 pandemic GASB 95 which was issued in May 2020 has extended the implementation date for one year. Earlier application is encouraged.

GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.

GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards (cont'd.)

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. The adoption of these new standards will not adversely affect 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 2019 financial statements to conform to classifications used in fiscal year 2020.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020	2019
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 14,895,000.00	\$ 15,655,000.00
S.C.I.A. Capital Leases	1,212,467.54	1,477,834.94
NJEIT Loans	3,606,233.78	3,826,427.91
Sewer Utility		
Bonds and Notes	1,060,000.00	442,000.00
Net Issued	20,773,701.32	21,401,262.85
<u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	7,893,995.55	1,857,162.55
Sewer Utility		
Bonds and Notes	4,065,500.00	351,000.00
Total Authorized But Not Issued	11,959,495.55	2,208,162.55
Bonds and Notes Issued and Authorized but not Issued	\$ 32,733,196.87	\$ 23,609,425.40

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019:

<u>General Debt:</u>	<u>2020</u>	<u>2019</u>
\$3,360,000, County Guaranteed Governmental Loan Revenue Bonds Series 2009B in annual installments of \$190,000 to \$265,000 through Oct. 1, 2024, interest at 3.50% to 4.00 %.	\$ 985,000.00	\$ 1,250,000.00
\$3,640,000, County Guaranteed Governmental Loan Revenue Bonds Series 2009C in annual installments of \$210,000 to \$285,000 through Oct. 1, 2024, interest at 5.125% to 5.250%.	1,065,000.00	1,350,000.00
\$5,340,000, General Improvement Bonds of 2012, due in annual installments of \$410,000 to \$475,000 through Sept. 15, 2026, interest at 2.000% to 2.375%	2,600,000.00	3,000,000.00
\$1,465,000, County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2014B with an annual installment of \$250,000 through Aug. 1, 2021, interest at 4.000%	250,000.00	545,000.00
\$6,770,000, General Obligation Bonds of 2016, due in annual installments of \$385,000 to \$600,000 through Feb. 15, 2031, interest at 1.750% to 3.000%	5,420,000.00	5,795,000.00
\$4,575,000, General Obligation Bonds of 2020, due in annual installments of \$170,000 to \$340,000 through Nov. 1, 2036, interest at 2.000% to 4.000%	4,575,000.00	
Bond Anticipation Notes - Mature 11/05/20 @ 1.75%	_____	3,715,000.00
Subtotal - Serial Bond Debt and BAN's for Capital Projects Outstanding December 31	<u>14,895,000.00</u>	<u>15,655,000.00</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<u>Loans Outstanding:</u>		
SCIA Capital Equipment Lease - 2014	\$ -	\$ 39,096.71
SCIA Capital Equipment Lease - 2015		59,191.92
SCIA Capital Equipment Lease - 2016 - Parking Lot Project	720,000.00	750,000.00
SCIA Capital Equipment Lease - 2016 - Fire Truck	492,467.54	629,546.31
NJEIT Loan - 2016	<u>3,606,233.78</u>	<u>3,826,427.91</u>
Subtotal - Loans Outstanding	<u>4,818,701.32</u>	<u>5,304,262.85</u>
Subtotal General Debt	<u>19,713,701.32</u>	<u>20,959,262.85</u>
<u>Sewer Utility Debt:</u>		
\$1,060,000, General Sewer Obligation Bonds of 2020, due in annual installments of \$40,000 to \$75,000 through Nov. 1, 2036, interest at 2.000% to 4.000%	1,060,000.00	
Bond Anticipation Notes - Mature 11/05/20 @ 1.75%		<u>442,000.00</u>
Subtotal Sewer Utility Debt	<u>1,060,000.00</u>	<u>442,000.00</u>
Total Outstanding Debt	<u><u>\$ 20,773,701.32</u></u>	<u><u>\$ 21,401,262.85</u></u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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>2020</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$11,800,000.00	\$11,800,000.00	\$ -
Sewer Utility Debt	5,125,500.00	5,125,500.00	-
General Debt	<u>27,607,696.87</u>	<u>1,884,467.91</u>	<u>25,723,228.96</u>
	<u>\$44,533,196.87</u>	<u>\$18,809,967.91</u>	<u>\$ 25,723,228.96</u>

Net Debt \$25,723,228.96 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,298,990,910.33 = 1.98%

<u>2019</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$13,300,000.00	\$13,300,000.00	\$ -
Sewer Utility Debt	793,000.00	793,000.00	-
General Debt	<u>22,816,425.40</u>	<u>1,451,790.09</u>	<u>21,364,635.31</u>
	<u>\$36,909,425.40</u>	<u>\$15,544,790.09</u>	<u>\$ 21,364,635.31</u>

Net Debt \$21,364,635.31 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,267,900,300.00 = 1.69%

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

	<u>2020</u>	<u>2019</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$45,464,681.86</u>	<u>\$44,376,510.50</u>
	<u>25,723,228.96</u>	<u>21,364,635.31</u>
Remaining Borrowing Power	<u>\$19,741,452.90</u>	<u>\$23,011,875.19</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONTD.)

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>2020</u>	<u>2019</u>
Cash Receipts From Fees, Rents or Other Charges for the year	\$ 3,814,749.92	\$ 3,060,435.88
Deductions:		
Operating and Maintenance Costs	3,016,000.00	2,929,000.00
Debt Service	9,000.00	
Excess in Revenue	<u>\$ 789,749.92</u>	<u>\$ 131,435.88</u>

The difference between the excess in revenues for debt statement purposes and the excess in revenues on a cash basis for the Sewer Utility Fund is as follows:

Excess in Revenues - Cash Basis (D-1)	\$ 835,798.97	\$ 118,472.55
Add - Capital Improvement Fund	20,000.00	20,000.00
Deduct - Reserves Lapsed	<u>66,049.05</u>	<u>7,036.67</u>
Excess in Revenues per Debt Statement	<u>\$ 789,749.92</u>	<u>\$ 131,435.88</u>

C. Schedule of General Capital Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding at December 31, 2020

Calendar <u>Year</u>	<u>Principal</u>	<u>General Interest</u>	<u>Total</u>
2021	\$ 1,765,000.00	\$ 404,464.17	\$ 2,169,464.17
2022	1,625,000.00	351,315.00	1,976,315.00
2023	1,655,000.00	303,233.75	1,958,233.75
2024	1,530,000.00	250,271.25	1,780,271.25
2025	1,190,000.00	203,056.25	1,393,056.25
2026	1,200,000.00	172,268.75	1,372,268.75
2027	805,000.00	140,925.00	945,925.00
2028	835,000.00	118,975.00	953,975.00
2029	865,000.00	94,237.50	959,237.50
2030	900,000.00	71,500.00	971,500.00
2031	905,000.00	47,500.00	952,500.00
2032	310,000.00	32,400.00	342,400.00
2033	315,000.00	26,200.00	341,200.00
2034	325,000.00	19,900.00	344,900.00
2035	330,000.00	13,400.00	343,400.00
2036	340,000.00	6,800.00	346,800.00
Total	<u>\$ 14,895,000.00</u>	<u>\$ 2,256,446.67</u>	<u>\$ 17,151,446.67</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

C. Schedule of Sewer Utility Capital Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding at December 31, 2020

Calendar Year	General		Total
	Principal	Interest	
2021	\$ 40,000.00	\$ 29,452.50	\$ 69,452.50
2022	60,000.00	28,500.00	88,500.00
2023	60,000.00	26,700.00	86,700.00
2024	60,000.00	24,300.00	84,300.00
2025	60,000.00	21,900.00	81,900.00
2026	65,000.00	19,500.00	84,500.00
2027	65,000.00	16,900.00	81,900.00
2028	65,000.00	14,300.00	79,300.00
2029	70,000.00	11,700.00	81,700.00
2030	75,000.00	10,300.00	85,300.00
2031	70,000.00	8,800.00	78,800.00
2032	70,000.00	7,400.00	77,400.00
2033	75,000.00	6,000.00	81,000.00
2034	75,000.00	4,500.00	79,500.00
2035	75,000.00	3,000.00	78,000.00
2036	75,000.00	1,500.00	76,500.00
Total	<u>\$ 1,060,000.00</u>	<u>\$ 234,752.50</u>	<u>\$ 1,294,752.50</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

D. Loan Agreements

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 was due in five bi-annual installments and remaining principal payment of \$39,096.71 with an interest rate of 2.10%. Final payment was made on May 15, 2020.

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 was due in five bi-annual installments and remaining principal payments spread over a two year period with amounts ranging from \$29,441.39 through \$29,750.53 with an interest rate of 2.10%. Final payment was made on November 15, 2020.

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 was due in twenty annual installments with remaining principal payments spread over a seventeen year period with amounts ranging from \$30,000.00 through \$65,000.00 and interest rates ranging from 0.91% 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 was due in twenty bi-annual installments and remaining principal payments spread over an eight year period with amounts ranging from \$37,066.82 through \$38,763.19 with an interest rate 2.25%.

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

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2020 and 2019 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2021 and 2020 as follows:

	Fund Balance December 31, <u>2020</u>	Utilized in Succeeding <u>Budget</u>
Current Fund	\$ 9,427,161.97	\$ 2,700,000.00
Sewer Operating Utility Fund	2,352,880.72	150,000.00
Parking Operating Utility Fund	740,847.80	227,500.00
	Fund Balance December 31, <u>2019</u>	Utilized in Succeeding <u>Budget</u>
Current Fund	\$ 9,645,804.11	\$ 4,343,000.00
Sewer Operating Utility Fund	1,654,081.78	137,000.00
Parking Operating Utility Fund	851,294.16	275,000.00

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, 2020 and 2019, the book value of the Borough's deposits were \$26,629,433.49 and \$21,874,550.49 and the bank balances of the Borough's cash and deposits amounted to \$26,935,172.67 and \$21,926,936.20, respectively. Of the bank balance, during 2020 and 2019, \$500,000.00 and \$407,850.27 was FDIC insured and \$26,435,172.67 and \$21,519,085.93 were GUDPA insured.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Deposits (Cont'd.)

At December 31, 2020, 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 Statement No. 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, 2020, 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;

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SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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 and Cash Equivalents:</u>	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>
Change Funds	\$ 450.00	\$ 450.00
Demand Accounts	<u>26,628,983.49</u>	<u>21,874,100.49</u>
Total Cash and Cash Equivalents	<u>\$ 26,629,433.49</u>	<u>\$ 21,874,550.49</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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:

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries currently receiving benefits	182,492	178,748
Inactive plan members entitled to but not yet receiving benefits	942	609
Active plan members	<u>249,045</u>	<u>252,598</u>
 Total	 <u>432,479</u>	 <u>431,955</u>
 Contributing Employers	 1,691	 1,697
Contributing Nonemployers -	1	1

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 is 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, P.L. 2011, Chapter 78, COLA increases were suspended for all current and future retirees of PERS.

Payrolls and Covered Wages - For the year ended December 31, 2020 and 2019 the Borough's total payroll for all employees was \$6,653,136 and \$6,621,255, respectively. Total PERS covered payroll was \$2,128,465 and \$2,057,662, respectively. Covered payroll refers to pensionable or base 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, Chapter 78, the member contribution rate was 7.50% in State fiscal year 2020. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount. The Borough's cash basis contributions to the Plan for the years ended December 31, 2020 and 2019 were \$279,544 and \$297,562, 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, 2020 and 2019 consisted of the following:

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

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

	<u>2020</u>	<u>2019</u>
Normal Cost	\$ 23,732	\$ 34,310
Amortization of Accrued Liability	<u>219,610</u>	<u>227,761</u>
Total Pension	243,342	262,071
NCGI Premiums	<u>13,112</u>	<u>12,484</u>
Total Regular Billing	256,454	274,555
LTD Expense	903	999
Additional Billings:		
Ch. 19, P.L. 2009	<u>22,187</u>	<u>22,008</u>
Total PERS Payment	<u>\$ 279,544</u>	<u>\$ 297,562</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.

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

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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 the 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, 2020, the PERS reported a net pension liability of \$16,307,384,832 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 Employer Group that is attributable to the Borough was \$4,693,583 or .0287819485%. At June 30, 2019, the PERS reported a net pension liability of \$18,018,482,972 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 \$4,750,558 or .026364919%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.00-6.00%
Through 2026	Based on years of service
Thereafter	3.00-7.00%
	Based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and a 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Employee mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) 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.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	<u>3.00%</u>	3.40%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liabilities of PERS was 7.00% as of June 30, 2020. 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – The following presents the collective net pension liability of the participating employers as of June 30, 2020, 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:

	At 1% Decrease <u>(6.00%)</u>	At current discount rate <u>(7.00%)*</u>	At 1% increase <u>(8.00%)</u>
State	\$25,353,758,472	\$22,223,967,525	\$19,576,310,991
Local	<u>20,689,699,233</u>	<u>16,435,616,426</u>	<u>12,825,910,903</u>
PERS Plan Total	<u>\$46,043,457,705</u>	<u>\$38,659,583,951</u>	<u>\$32,402,221,894</u>

Borough's proportionate share					
of	the	net		pension	
liability					
	<u>\$5,917,991</u>		<u>\$4,693,583</u>	<u>\$3,654,640</u>	

*- Local Share includes \$128,231,594 of Special Funding Situation allocated to the State of NJ as a non-employer.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$28,272,160,382	\$39,432,792,871	\$67,704,953,253
Plan Fid. Net Position	<u>6,048,192,857</u>	<u>22,997,176,445</u>	<u>29,045,369,302</u>
Net PERS Pension Liability	<u>\$22,223,967,525</u>	<u>\$16,435,616,426</u>	<u>\$38,659,583,951</u>

At December 31, 2020, 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 expected and actual experience	\$85,462	\$16,599
Change in assumptions	152,265	1,965,248
Net difference between projected and actual earnings		
On pension plan investments	160,430	
Changes in proportion and differences between Borough		
Contributions and proportionate share of contributions	639,608	382,092
Borough contributions subsequent to the		
measurement date	<u>279,544</u>	-
Total	<u>\$1,317,309</u>	<u>\$2,363,939</u>

The \$279,544 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 would be recognized in pension expense as follows if GASB 68 was recognized:

<u>Year ending</u>	<u>Amount</u>
2021	(\$482,827)
2022	(476,159)
2023	(302,823)
2024	(50,924)
2025	<u>(13,441)</u>
Total	<u>(\$1,326,174)</u>

Additional Information

Collective balances at June 30, 2020	
Collective deferred outflows of resources	\$2,347,583,337
Collective deferred inflows of resources	7,849,949,467
Collective net pension liability – Local group	16,435,616,426
 Borough's Proportion	 0.0287819485%

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

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

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2020 and 2019 was \$407,705,399 and \$974,471,686, respectively. The average of the expected remaining service lives of all plan members is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2020 and June 30, 2019 are \$1,144,889,253 and \$1,038,892,124, respectively.

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

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

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries currently receiving benefits	45,537	44,567
Inactive plan members entitled to but not yet receiving benefits	65	42
Active plan members	<u>42,520</u>	<u>42,295</u>
 Total	 <u>88,122</u>	 <u>86,904</u>
 Contributing Employers –	 582	 584
Contributing Nonemployers -	1	1

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

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

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

The State Legislature adopted L. 2018, c. 55 in July 2018, which transferred management of PFRS from the New Jersey Department of Treasury, Division of Pensions and Benefits to a newly constituted twelve-member PFRS Board of Trustees. The new PFRS Board, which was established in February 2019 per the legislation, has more power and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the new PFRS Board will also have the authority to direct investment decisions, to adjust current benefit levels and to change member and employer contribution rates. With regard to changes in current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the new PFRS Board. Also, benefit enhancement can only be made if an independent actuary certifies that the benefit enhancements will not jeopardize the long-term viability of PFRS. Under prior law, benefit enhancements, including the reinstatement of COLA for retirees, could only be considered when the funded level of the pension fund reaches 80%. An actuarial certification was also required that the funded levels would remain at or above 80% over a 30-year period following the benefit enhancement.

In accordance with L. 2018, c. 55, the new PFRS Board will also have the authority to formulate investment policies and direct the investment activities of the PFRS. The PFRS Board has proposed regulations for adoption governing the methods, practices, and procedures for investment or reinvestments of money of PFRS.

For the year ended December 31, 2020 and 2019 the Borough's total payroll for all employees was \$6,653,136 and \$6,621,255, respectively. Total PFRS covered payroll was \$3,710,763 and \$3,567,353, respectively. Covered payroll refers to pensionable or base 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. 43:16A 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 2020. 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, 2020 and 2019 were \$1,075,134 and \$1,012,185, 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, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Normal Cost	\$ 332,095	\$ 304,051
Amortization of Accrued Liability	<u>651,821</u>	<u>627,865</u>
Total Pension	983,916	931,916
NCGI Premiums	<u>47,528</u>	<u>36,798</u>
Total Regular Billing	1,031,444	968,714
Additional Billings: Ch. 19, P.L. 2009	<u>43,690</u>	<u>43,471</u>
Total PFRS Payment	\$ <u>1,075,134</u>	\$ <u>1,012,185</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.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

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

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.

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, 2020, the PFRS reported a net pension liability of \$12,921,318,904 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 \$13,373,093 or 0.1034963449%. At June 30, 2019, the PFRS reported a net pension liability of \$12,237,818,793 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 \$12,496,280 or 0.1021119870%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25-15.25%
	Based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and a 102.5% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females, with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

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

Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and a 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	<u>3.00%</u>	3.40%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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Note 7. PENSION PLANS (CONT'D.)

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

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – The following presents the collective net pension liability of the participating employers as of June 30, 2020, 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>(6.00%)</u>	<u>At current discount rate</u> <u>(7.00%)*</u>	<u>At 1% increase</u> <u>(8.00%)</u>
State	\$ 4,998,864,901	\$ 4,299,009,951	\$ 3,717,851,603
Local	<u>19,849,370,425</u>	<u>14,926,648,722</u>	<u>10,837,952,259</u>
PFRS Plan Total	<u>\$24,848,235,326</u>	<u>\$19,225,658,673</u>	<u>\$14,555,803,862</u>
Borough's proportionate share of the net pension liability	<u>\$18,467,930</u>	<u>\$13,373,093</u>	<u>\$9,141,441</u>

*- Local Share includes \$2,005,329,818 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, 2020 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,717,806,071	\$40,919,980,447	\$46,637,786,518
Plan Fiduciary Net Position	<u>1,418,796,120</u>	<u>25,993,331,725</u>	<u>27,412,127,845</u>
Net PFRS Pension Liability	<u>\$ 4,299,009,951</u>	<u>\$14,926,648,722</u>	<u>\$19,225,658,673</u>

At December 31, 2020, 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 expected and actual experience	\$134,823	\$47,994
Change in assumptions	33,653	3,585,246
Net difference between projected and actual earnings		
On pension plan investments	784,127	
Changes in proportion and differences between Borough		
Contributions and proportionate share of contributions	629,429	136,306
Borough contributions subsequent to the		
measurement date	<u>1,075,134</u>	<u>-</u>
Total	<u>\$2,657,166</u>	<u>\$3,769,546</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

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

The \$1,075,134 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 would be recognized in pension expense as follows, if GASB 68 was recognized:

<u>Year ending</u>	<u>Amount</u>
2021	(\$1,071,901)
2022	(718,291)
2023	(273,928)
2024	(37,819)
2025	<u>(85,575)</u>
Total	<u>\$<u>(2,187,514)</u></u>

Additional Information

Collective balances at June 30, 2020

Collective deferred outflows of resources	\$1,601,195,680
Collective deferred inflows of resources	4,191,274,402
Collective net pension liability – Local group	14,926,648,722
Borough's Proportion	0.1034963449%

Collective pension expense for the Local Group for the measurement period ended June 30, 2020 and 2019 is \$949,220,570, and \$1,325,963,796, respectively. The average of the expected remaining service lives of all plan members is 5.90, 5.92, 5.73, 5.59, 5.58, and 5.53 years for 2020, 2019, 2018, 2017, 2016, and 2015, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

Receivable Contributions

The Fiduciary Net Position (FNP) includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2020 and June 30, 2019 are \$1,194,176,430 and \$1,105,874,849, respectively.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

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

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 these 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, 2020 was \$154,309,000. The portion of that contribution allocated to the Borough was \$159,704, or 0.1034963449%. The June 30, 2020 State special funding situation pension expense of \$227,263,993 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 \$2,005,329,818 at June 30, 2020 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, 2020 and its share of the special funding situation NPL at that date were \$235,210 and \$2,075,443, respectively.

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.

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.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7. PENSION PLANS (CONT'D.)

C. Defined Contribution Retirement System (DCRP) (cont'd):

For the year ended December 31, 2020 and 2019 the Borough's total payroll for all employees was \$6,653,136 and \$6,621,255, respectively. There were no employees in DCRP at December 31, 2020. Total DCRP covered payroll was \$13,520 for December 31, 2019. Covered payroll refers to pensionable or base 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, 2019 were \$406 and \$744, respectively.

Note 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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.

The Borough of Somerville contributions to SHBP for the year ended December 31, 2020 were \$3,771.12, which equaled the required contributions for the year. There was 1 retired participant eligible at December 31, 2020.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONT'D)

Plan Description and Benefits Provided:

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer.

Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. 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.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The below information has been obtained from the State of New Jersey State Health Benefits Local Government Retired Employees Plan audit at June 30, 2019 and is the latest available information as of December 31, 2020.

Total OPEB Liability

Special Funding Situation

The State of New Jersey's Total OPEB Liability for special funding situation was \$5,525,718,739 at June 30, 2019.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONT'D)

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 \$11,677,170 at June 30, 2019.

Nonspecial Funding Situation:

The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$8,020,352,361 at June 30, 2019.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Borough of Somerville was \$4,360,616 at June 30, 2019. These allocated liabilities represent 0.032191% of the State's Total Non-employer OPEB Liability for June 30, 2019.

Components of Net OPEB Liability – The components of the collective net OPEB liability for PERS, including the State of New Jersey, at June 30, 2019 is as follows:

	<u>2019</u>
Total OPEB Liability	\$13,819,244,582
Plan Fiduciary Net Position	<u>273,173,482</u>
Net OPEB Liability	<u>\$13,546,071,100</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 8: OTHER POST-EMPLOYMENT BENEFITS (CONT'D)

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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 rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

* Salary increases are based on years of service within the respective plan.

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

Healthcare Trend Assumptions:

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate:

The discount rate for June 30, 2019 was 3.50%. 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.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 8: OTHER POST-EMPLOYMENT BENEFITS (CONT'D)

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, 2019, 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>(2.50%)</u>	At Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total Net OPEB Liability	\$15,662,704,137	\$13,546,071,100	\$11,826,026,995
Borough's Share	\$5,041,981	\$4,360,616	\$3,806,916

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, 2019, 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 Trend Rate	1% Increase
Total Net OPEB Liability	\$11,431,214,644	\$13,546,071,100	\$16,243,926,531
Borough's Share	\$3,679,822	\$4,360,616	\$5,229,082

At June 30, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, if GASB 75 was recognized:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience		\$1,275,214
Changes of assumptions		1,545,305
Changes in proportion		<u>1,186,871</u>
Net difference between projected and actual investment earnings on OPEB plan investments	<u>\$ 3,592</u>	
Total	<u>\$3,592</u>	<u>\$4,007,390</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, if GASB 75 was recognized:

<u>Year ending</u>	<u>Amount</u>
2020	\$(676,257)
2021	(676,257)
2022	(676,557)
2023	(677,032)
2024	(677,424)
Thereafter	<u>(620,271)</u>
Total	<u>\$(4,003,798)</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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 \$1,750,479.52 and \$1,883,942 for 2020 and 2019. 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 MANAGMENT

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

At December 31, 2019, the Fund reported for all years' combined, total assets of \$49,105,184, liabilities and expenses of \$34,063,114, which includes loss reserves of \$33,660,024 and net position for all years of \$15,042,070. This is the latest available information.

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 2020 and the previous two years.

Fiscal Year	Borough Contributions and Interest	Employee Contributions	Amount Reimbursed	Ending Balance
2020	\$ 4,609.99	\$ 7,650.65	\$ -	\$93,156.33
2019	9,687.72	7,747.12		80,895.69
2018	4,296.15	7,358.43		63,460.85

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. LOSAP review reports are available in the office of the Borough Clerk during scheduled working hours.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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 2020 were \$811,966.09 and taxes in 2020 that otherwise would have been due on these long-term tax exemptions amounted to \$2,462,931.38, based upon the assessed valuations of the long-term tax exemptions properties.

Note 16: GOVERNMENTAL FIXED ASSETS

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

	Balance December 31, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2020</u>
Land	\$ 10,571,500	\$ -	\$ -	\$ 10,571,500
Buildings/Improvements	10,498,600			10,498,600
Equipment	<u>8,709,707</u>	<u>272,153</u>	<u>557,735</u>	<u>8,424,125</u>
	<u>\$ 29,779,807</u>	<u>\$272,153</u>	<u>\$557,735</u>	<u>\$ 29,494,225</u>

Note 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after December 31, 2020 through the date of August 3, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, the Borough has determined the following subsequent event has occurred which requires disclosure in the financial statements.

The following bond ordinance was authorized:

The Borough appropriated \$904,000 which amount was funded from the Capital Improvement Fund dated May 17, 2021, for Various Capital Improvements.

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



**PART II
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2020**

Current Fund

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance - December 31, 2019	A	\$ 13,345,750.61
Increased by Receipts:		
Taxes Receivable	A-7	\$ 43,197,905.59
Prepaid Property Taxes	A-7	417,093.82
Due from State of N.J. - Ch. 73, P.L. 1976	A-8	42,066.45
Various Payables and Reserves	A-10	40,189.33
Miscellaneous Revenue Anticipated	A-11	5,213,619.52
Revenue Accounts Receivable	A-11	36,152.55
Miscellaneous Revenue Not Anticipated	A-11	252,008.15
Interfund Loans Received/Returned	A-13	181,224.99
Tax Overpayments	A-15	397.32
		<u>49,380,657.72</u>
		62,726,408.33
Decreased by Disbursements:		
Budget Expenditures	A- 3	17,368,650.13
Various Payables and Reserves	A-10	40,189.33
Taxes Payable	A-12	30,700,152.11
Interfund Loans Disbursed/Returned	A-13	349,539.07
2019 Appropriation Reserves	A-14	658,761.87
Tax Overpayments	A-15	5,999.35
		<u>49,123,291.86</u>
Balance - December 31, 2020	A	<u>\$ 13,603,116.47</u>

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>BALANCE</u> <u>DEC. 31, 2020</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
	<hr/>	<hr/>
	<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, 2019	A	\$ 1,512.00
Balance - December 31, 2020	A	<u>\$ 1,512.00</u>

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

	<u>REF.</u>		
Balance - December 31, 2019	A		\$ 22,329.22
Increased by:			
Deductions Allowed Per Tax Billings	A-8	\$ 43,000.00	
2020 Deductions Allowed by Collector	A-8	<u>17,736.42</u>	
			<u>60,736.42</u>
			83,065.64
Decreased by:			
Cash Receipts	A-4	42,066.45	
2020 Deductions Disallowed by Collector	A-8	<u>250.00</u>	
			<u>42,316.45</u>
Balance - December 31, 2020	A		<u><u>\$ 40,749.19</u></u>
 <u>Analysis of Realized Revenue for 2020:</u>			
Deductions Allowed Per Tax Billings	A-8	\$ 43,000.00	
2020 Deductions Allowed by Collector	A-8	17,736.42	
2020 Deductions Disallowed by Collector	A-8	<u>250.00</u>	
Realized as Revenue - 2020	A-7		<u><u>\$ 60,486.42</u></u>

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

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 28,500.00
Balance - December 31, 2020	A	<u>\$ 28,500.00</u>

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>TRANSFER</u> <u>FROM</u> <u>APPROP</u> <u>RESERVES</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Accounts Payable:					
Vendor Accounts Payable	\$ -	\$ -	\$ -	\$ 1,632.10	\$ 1,632.10
PILOTS Payable		40,189.33	40,189.33		-
Subtotal	<u>-</u>	<u>40,189.33</u>	<u>40,189.33</u>	<u>1,632.10</u>	<u>1,632.10</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	53,287.06				53,287.06
Library Surplus	14,220.00				14,220.00
Subtotal	<u>104,006.51</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,006.51</u>
Total	<u>\$ 104,006.51</u>	<u>\$ 40,189.33</u>	<u>\$ 40,189.33</u>	<u>\$ 1,632.10</u>	<u>\$ 105,638.61</u>
<u>Ref.</u>	A	A-4	A-4	A-14	A

CURRENT FUND
SCHEDULE OF NONBUDGET REVENUES & VARIOUS ACCOUNTS RECEIVABLES

		<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>ACCRUED/</u> <u>ADJUSTMENTS</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Revenue Accounts Receivable:	<u>Ref.</u>				
Fines and Costs - Municipal Court		\$ 36,152.55	\$ 6,291.24	\$ 36,152.55	\$ 6,291.24
		<u>36,152.55</u>	<u>6,291.24</u>	<u>36,152.55</u>	<u>6,291.24</u>
Non - Budget Revenue:					
Administrative Fees			169,336.25	169,336.25	
Assessment Fees			15,033.99	15,033.99	
Billboard Fees			16,600.00	16,600.00	
Landlord Registration Fees			40,051.75	40,051.75	
Miscellaneous			3,156.86	3,156.86	
Miscellaneous Fees and Permits			4,351.63	4,351.63	
Police Reports			2,636.34	2,636.34	
Senior Citizens & Veterans Deduct. - Admin. Fee			841.33	841.33	
	<u>A-1, A-2,A-4</u>	<u>-</u>	<u>252,008.15</u>	<u>252,008.15</u>	<u>-</u>
Total		<u>\$ 36,152.55</u>	<u>\$ 258,299.39</u>	<u>\$ 288,160.70</u>	<u>\$ 6,291.24</u>
	<u>Ref.</u>	A	Reserve	A- 4	A
<u>Analysis of Miscellaneous Revenues:</u>					
Account Receivable Collections	A- 4			\$ 36,152.55	
Current Year Collections	A- 4			<u>5,213,619.52</u>	
Subtotal				5,249,772.07	
Grants Realized - Grant Fund	A- 2, A-13			<u>97,688.24</u>	
	A- 2			<u>\$ 5,347,460.31</u>	

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>TAXES</u> <u>LEVIED</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
County - General	\$ -	\$ 5,314,089.90	\$ 5,314,089.90	\$ -
County - Added & Omitted		8,341.70	8,341.70	
Local School Taxes		24,772,858.00	24,772,858.00	
Special District Taxes		604,862.51	604,862.51	
Total	\$ -	\$ 30,700,152.11	\$ 30,700,152.11	\$ -
<u>Ref.</u>	A	A-1,A-2,A-7	A-4	A

CURRENT FUND
SCHEDULE OF INTERFUNDS RECEIVABLE/ PAYABLE

		<u>BALANCE</u> <u>DEC. 31, 2019</u>		<u>CASH</u> <u>RECEIPTS</u>		<u>CASH</u> <u>DISBURSEMENTS</u>		<u>ADJUSTMENTS</u>		<u>BALANCE</u> <u>DEC. 31, 2020</u>
	<u>Ref.</u>									
Interfunds:										
Grant Fund		\$ 1,144,584.51	\$	164,246.79	\$	349,539.07	\$	2,756.95	\$	962,049.18
Animal Control Trust Fund		(22,232.58)		16,978.20				(6,616.40)		(11,870.78)
Other Trust Fund		215,510.42								215,510.42
Sewer Operating Fund		11,579.04								11,579.04
Interfunds Receivable	A	(22,232.58)								(11,870.78)
Interfunds Payable	A	1,371,673.97								1,189,138.64
Total		<u>\$ 1,349,441.39</u>	<u>\$</u>	<u>181,224.99</u>	<u>\$</u>	<u>349,539.07</u>	<u>\$</u>	<u>(3,859.45)</u>	<u>\$</u>	<u>1,177,267.86</u>
	<u>Ref.</u>			A-4		A-4				
Grant Revenue Realized	A-2, A-11							\$ (97,688.24)		
Grant Appropriations Realized	A-3							100,445.58		
Grant Receivable - Cancelled	A-1							6,094.95		
Grant Appropriations Cancelled	A-1							(6,095.34)		
Due from Animal Control	A-1							(6,616.40)		
								<u>\$ (3,859.45)</u>		

SCHEDULE OF 2019 APPROPRIATION RESERVES

	BALANCE DEC. 31 2019	ENCUMBERED 2019	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages:					
Inside "CAPS":					
Administrative & Executive	\$ 22,403.06	\$	\$ 22,403.06	\$	\$ 22,403.06
Borough Clerk	7,591.32		7,591.32		7,591.32
Elections	1,720.58		1,720.58		1,720.58
Financial Administration	35,786.16		35,786.16		35,786.16
Assessment of Taxes	238.94		238.94		238.94
Collection of Taxes	14,465.21		14,465.21		14,465.21
Engineering Services and Costs	10,000.00		10,000.00		10,000.00
Public Buildings and Grounds	12,447.80		12,447.80		12,447.80
Fire	26,129.76		26,129.76		26,129.76
Uniform Fire Safety Act	3,907.06		3,907.06		3,907.06
Police	40,479.49		40,479.49		40,479.49
Road Repair and Maintenance	23,255.25		23,255.25		23,255.25
Board of Health	827.88		827.88		827.88
Recreation	16,462.11		16,462.11		16,462.11
Municipal Court	1,049.04		1,049.04		1,049.04
Community Development	36,379.46		36,379.46		36,379.46
Electrical Inspector	48.12		48.12		48.12
Total Salaries and Wages	253,191.24		253,191.24		253,191.24
Other Expenses:					
Inside "CAPS":					
Administrative and Executive	120,667.22	17,827.43	138,494.65	18,796.99	119,697.66
Elections	249.15		249.15		249.15
Financial Administration	27,199.38	3,025.00	30,224.38	2,978.00	27,246.38
Audit	4,030.00	50,970.00	55,000.00	48,491.61	6,508.39
Assessment of Taxes	2,429.10		2,429.10		2,429.10
Collection of Taxes	3,218.28	190.00	3,408.28	172.96	3,235.32
Legal Services	5,381.44	17,812.14	23,193.58	21,864.09	1,329.49
Prosecutor		1,666.74	1,666.74	1,666.74	
Engineering Services and Costs	931.66	1,762.35	2,694.01	1,361.49	1,332.52
Public Buildings and Grounds	19,056.31	28,940.23	47,996.54	22,157.68	25,838.86
Planning Board	6,212.00		6,212.00	52.20	6,159.80
Dept. of Technology	14,128.28	12,954.00	27,082.28	1,500.00	25,582.28
Zoning Board of Adjustment	2,125.00		2,125.00	145.00	1,980.00
Group Insurance for Employees	50,157.27	106,832.18	156,989.45	112,147.60	44,841.85
Other Insurance Premiums	27,641.00	31.50	27,672.50	31.50	27,641.00
Prescription Drug/Dental Program	13,311.20		13,311.20		13,311.20
Fire	17,733.54	75,078.64	92,812.18	83,290.10	9,522.08
Uniform Fire Safety Act	1,737.05	626.00	2,363.05	626.00	1,737.05
Police	3,595.29	45,974.16	49,569.45	43,778.40	5,791.05
Emergency Management	940.37	2,413.37	3,353.74	1,726.37	1,627.37
School Crossing Guards Contractual	5,321.95	20,975.27	26,297.22	20,327.34	5,969.88
Road Repair and Maintenance	45,057.32	136,425.69	181,483.01	89,066.00	92,417.01
Snow Removal	761.14	17,700.00	18,461.14	16,220.80	2,240.34
Sanitary Sewer System	16,185.00	5,815.00	22,000.00	5,815.00	16,185.00
Garbage and Trash Removal Contractual	15,031.39	179,418.74	194,450.13	46,166.46	148,283.67
Recycling	57,711.37	18,346.21	76,057.58	18,346.21	57,711.37
Board of Health	2,292.64	9,517.28	11,809.92	9,517.28	2,292.64
Dog Regulation (contractual)	1,000.00		1,000.00		1,000.00
Parks and Playgrounds	21,638.01	5,415.94	27,053.95	489.00	26,564.95
Recreation	12,891.99	5,817.78	18,709.77	5,817.78	12,891.99
Celebration of Public Events	2,000.00		2,000.00		2,000.00
Municipal Court	3,093.74	4,379.94	7,473.68	2,019.60	5,454.08
Community Development	3,333.29	907.55	4,240.84	3,349.55	891.29
Matching Funds for Grants	12,242.66		12,242.66		12,242.66
Street Lighting	56,058.18	43,855.06	99,913.24	40,342.43	59,570.81

SCHEDULE OF 2019 APPROPRIATION RESERVES

	BALANCE DEC. 31 <u>2019</u>	ENCUMBERED <u>2019</u>	BALANCE AFTER <u>MODIFICATION</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
Other Expenses:					
Inside "CAPS":					
Fire Hydrant Service	\$ 7,534.80	\$ 17,670.52	\$ 25,205.32	\$ 24,986.08	\$ 219.24
Telephone	12,671.99	2,210.30	14,882.29	3,728.43	11,153.86
Water	232.02	4,527.35	4,759.37	1,259.37	3,500.00
Electricity	43,937.38	31,679.56	75,616.94	11,867.61	63,749.33
Gasoline	1,219.65	23,772.28	24,991.93	288.30	24,703.63
Contingent	1,000.00		1,000.00		1,000.00
Social Security System	47,630.71		47,630.71		47,630.71
Defined Contribution Retirement Program	2,452.44		2,452.44		2,452.44
Other Expenses:					
Out of "CAPS":					
LOSAP	6,065.96		6,065.96		6,065.96
Reserve for Tax Appeals	38,900.04		38,900.04		38,900.04
Total Other Expenses	<u>737,007.21</u>	<u>894,538.21</u>	<u>1,631,545.42</u>	<u>660,393.97</u>	<u>971,151.45</u>
Total Operations	<u>\$ 990,198.45</u>	<u>\$ 894,538.21</u>	<u>\$ 1,884,736.66</u>	<u>\$ 660,393.97</u>	<u>\$ 1,224,342.69</u>
<u>Ref.</u>	A	A			A-1
Disbursed	A-4			\$ 658,761.87	
Accounts Payable	A-10			<u>1,632.10</u>	
				<u>\$ 660,393.97</u>	

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 5,999.35
Increased by:		
Cash Receipts - Tax Overpayments	A-4	<u>397.32</u>
		6,396.67
Decreased by:		
Cash Payments - Refunds	A-4	<u>5,999.35</u>
Balance - December 31, 2020	A	<u><u>\$ 397.32</u></u>

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-16

<u>GRANT</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>2020 BUDGET</u> <u>REVENUE</u> <u>REALIZED</u>	<u>CHAPTER</u> <u>159'S</u>	<u>COLLECTED</u> <u>2020</u>	<u>CANCELLED</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Municipal Alliance Grant	\$ 19,191.74	\$	\$	\$	\$	\$ 19,191.74
Municipal Alliance Grant 17	1,348.25					1,348.25
Municipal Alliance Grant	714.27					714.27
Municipal Alliance Grant	11,029.36					11,029.36
Municipal Alliance Grant		11,029.36		1,216.91	6,094.95	3,717.50
ANJEC - Butterfly Garden Grant	400.00					400.00
Body Armor Replacement Fund		3,185.90		3,185.90		-
Bulletproof Vest Program	3,865.67					3,865.67
Clean Communities Program	345.01		21,997.11	21,997.11		345.01
CDBG Handicapped Ramp, Curbs & Sidewalk Improvements	100,000.00					100,000.00
CDBG Sanitary Sewer Grant	96,371.00			96,371.00		-
EMAA Grant - Office of Emergency Management			10,000.00	10,000.00		-
Green Acres Grant	143,355.00					143,355.00
Historic Grant County	138,101.00					138,101.00
Historical Preservation Grant	108,860.00					108,860.00
Library ADA Compliant Grant	22,295.00					22,295.00
Municipal Alcohol Ed. Rehab Grant			3,000.74	3,000.74		-
NJ Safe Corridors Grant	39.65					39.65
Somerset County RCP Pedestrian Safety Grant Phase II	7,500.00					7,500.00
Regional Center Partnership Challenge Som-Pop Retail Grant			40,000.00	20,000.00		20,000.00
Preserve New Jersey Preservation Grant	23,535.00					23,535.00
Recycling Tonnage Grant		8,475.13		8,475.13		-
Somerville Flood Acquisition Project	454,325.00					454,325.00
Sustainable Jersey Small Grants Program	10,000.00					10,000.00
Transit Village Program for the Wayfinding Program - 2018	80,000.00					80,000.00
Transit Village Streetscape Improvements	130,000.00					130,000.00
	<u>\$ 1,351,275.95</u>	<u>\$ 22,690.39</u>	<u>\$ 74,997.85</u>	<u>\$ 164,246.79</u>	<u>\$ 6,094.95</u>	<u>\$ 1,278,622.45</u>
<u>Ref.</u>	A	A-17	A-17	A-17	A-17	A

GRANT FUND
SCHEDULE OF INTERFUNDS RECEIVABLE/PAYABLE

	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Interfunds:			
Current Fund	\$ 1,144,584.51	\$ (182,535.33)	\$ 962,049.18
Total	<u>\$ 1,144,584.51</u>	<u>\$ (182,535.33)</u>	<u>\$ 962,049.18</u>
	<u>Ref.</u>	A	A
Grants Revenue - Budget	A-16	\$ (97,688.24)	
Grants Appropriated - Budget	A-18	100,445.58	
Grant Receivables - Received	A-16	164,246.79	
Grants Appropriated - Expended	A-18	(349,539.07)	
Grant Receivables - Canceled	A-16	6,094.95	
Grants Appropriated - Canceled	A-18	<u>(6,095.34)</u>	
		<u>\$ (182,535.33)</u>	

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

<u>GRANT/AID PROGRAM</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>TRANSFERRED</u> <u>FROM 2020</u> <u>BUDGET</u>	<u>CHAPTER</u> <u>159'S</u>	<u>ENCUMBERED</u> <u>DEC. 31, 2019</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>ENCUMBERED</u> <u>DEC. 31, 2020</u>	<u>CANCELLED</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Municipal Alliance Grant County 12	\$ 287.97	\$		\$	\$		\$	\$ 287.97
Municipal Alliance Grant Local 12	1,000.00							1,000.00
Municipal Alliance Grant County 13	706.28							706.28
Municipal Alliance Grant Local 13	2,725.50							2,725.50
Municipal Alliance Grant County 14	2,930.65							2,930.65
Municipal Alliance Grant Local 14	3,816.50							3,816.50
Municipal Alliance Grant 15	6,421.25							6,421.25
Municipal Alliance Grant 16	3,220.44							3,220.44
Municipal Alliance Grant 17	63.64							63.64
Municipal Alliance Grant 18	685.34							685.34
Municipal Alliance Grant 19	13,786.70				2,786.75			10,999.95
Municipal Alliance Grant 20		11,029.36					6,094.95	4,934.41
Municipal Alliance Grant 20 - Match		2,757.34						2,757.34
Alcohol Ed Rehab Grant	15,531.94		3,000.74					18,532.68
Association of NJ Environmental Commission - Butterfly Garden Grant	1,047.31							1,047.31
Body Armor Replacement Fund 16	5,055.43							5,055.43
Body Armor Replacement Fund 20	6,402.66	3,185.90			6,416.82			3,171.74
Bulletproof Vest Program	4,167.23				4,167.18		0.05	-
CDBG Handicapped Ramp, Curbs & Sidewalk Improvements	85,100.00			10,607.50	54,486.86	28,043.86		13,176.78
CDBG Sanitary Sewer Grant	96,371.00				96,371.00			
Clean Communities 16	168.08							168.08
Clean Communities 2017				477.12	477.12			
Clean Communities Program 18	15,707.68				8,349.83	1,897.28		5,460.57
Clean Communities Program 19	24,395.49				1,873.48			22,522.01
Clean Communities Program 20			21,997.11					21,997.11
DEP Hazardous Discharge Site Remediation Fund	12.38							12.38
DEP - Hazardous Discharge Site Remediation	398,267.93				95,388.69	302,879.24		
Drunk Driving Enforcement Fund	26,449.26				1,689.68			24,759.58
EMAA Grant - Office of Emergency Management	10,000.00		10,000.00					20,000.00
Emergency Responder Grant	1,006.97							1,006.97
Federal Bulletproof Vest Program	0.01						0.01	
Garden Club of Somerset Hills Tree Planting and Community Garden Grant	372.00							372.00
Green Acres Grant	550,619.11				6,382.51	73,763.22		470,473.38
Hazardous Discharge Grant 2017	50,233.27							50,233.27
Highway Safety Grant	376.55							376.55
Historical Preservation Grant	142,611.82			12,041.87	4,887.71	7,154.16		142,611.82
Library ADA Compliant Grant	5,711.89							5,711.89
NJ DEP - RCP Challenge Grant for Pedestrian Safety	15,000.00				10,937.50			4,062.50
NJ DOT Transit Village	230,000.00							230,000.00
Preserve New Jersey Preservation Grant	7,600.00			22,935.45	27,984.95	2,550.50		
Recycling Tonnage Grant 16	4,945.11							4,945.11
Recycling Tonnage Grant 18	0.33						0.33	
Recycling Tonnage Grant		8,475.13		13,550.00	22,025.13			
Regional Center Challenge Grant 13	26,000.00							26,000.00
Regional Center Partnership Challenge Som-Pop Retail Grant			40,000.00					40,000.00

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

<u>GRANT/AID PROGRAM</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>TRANSFERRED</u> <u>FROM 2020</u> <u>BUDGET</u>	<u>CHAPTER</u> <u>159'S</u>	<u>ENCUMBERED</u> <u>DEC. 31, 2019</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>ENCUMBERED</u> <u>DEC. 31, 2020</u>	<u>CANCELLED</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Somerset County - The Council for Boys and Young Men	\$ 2,181.17	\$	\$	\$	\$	\$	\$	\$ 2,181.17
Somerset County - RVSA - Green Acres Grant	2,500.00				448.88			2,051.12
Somerville Flood Acquisition Project	454,325.00							454,325.00
Transit Village Program for the Wayfinding Program - 2018	79,865.74					58,680.00		21,185.74
Transit Village Streetscape Improvements	130,000.00							130,000.00
Youth Service	1,343.89							1,343.89
Youth Service	5,000.00				4,864.98			135.02
	<u>\$ 2,434,013.52</u>	<u>\$ 25,447.73</u>	<u>\$ 74,997.85</u>	<u>\$ 59,611.94</u>	<u>\$ 349,539.07</u>	<u>\$ 474,968.26</u>	<u>\$ 6,095.34</u>	<u>\$ 1,763,468.37</u>
<u>Ref.</u>	A	A-17	A-17	A	A-17	A	A-17	A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
 UNAPPROPRIATED
GRANT FUND

<u>GRANTS</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Somerville Landfill Green Seam	\$ <u>2,235.00</u>	\$ <u>2,235.00</u>
	\$ <u>2,235.00</u>	\$ <u>2,235.00</u>
<u>Ref.</u>	A	A

Trust Fund

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance <u>12/31/19</u>	Receipts	Cash Disbursements	Adjustments	Balance <u>12/31/20</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	<u>10,467.52</u>				<u>10,467.52</u>
Total	<u>10,467.52</u>	-	-	-	<u>10,467.52</u>
Animal Control:					
Due to Current Fund	22,232.58		16,978.20	6,616.40	11,870.78
Due NJ - State License Fees	-	598.80	597.60		1.20
Animal Control Reserves	<u>14,217.80</u>	<u>5,145.40</u>	<u>808.00</u>	<u>(6,616.40)</u>	<u>11,938.80</u>
Total	<u>36,450.38</u>	<u>5,744.20</u>	<u>18,383.80</u>	-	<u>23,810.78</u>
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	<u>(229,510.42)</u>				<u>(229,510.42)</u>
	<u>(282,157.31)</u>	-	-	-	<u>(282,157.31)</u>
Interfunds Payable:					
Due to Public Assistance Fund	25,533.60				25,533.60
Due to Current Fund	<u>14,000.00</u>				<u>14,000.00</u>
	<u>39,533.60</u>	-	-	-	<u>39,533.60</u>
Reserve for:					
Miscellaneous Deposits	2,250,993.45	1,209,993.82	1,144,951.14	73,165.58	2,389,201.71
Payroll Agency	321,967.00	2,607,948.20	2,635,415.02		294,500.18
CDBG Expenditures	44,385.89				44,385.89
SUI Fund	80,895.69	12,260.64			93,156.33
Sanitary Landfill Closure	10,444.39		10,444.39		-
Builders Escrow	85,306.02	160,677.22	139,397.54		106,585.70
Tax Redemption Trust	325,800.00	779,086.72	500,786.72		604,100.00
Recreation Trust	113,243.76	9,402.70	7,955.09		114,691.37
Housing Assistance Program	46,797.46	2,690,395.55	2,516,377.70		220,815.31
Law Enforcement Trust	43,488.49	22,570.68			66,059.17
Credit Card Fee Accounts	2,938.20	12,860.22	9,928.36		5,870.06
Encumbrances	<u>115,743.66</u>			<u>(73,165.58)</u>	<u>42,578.08</u>
Total	<u>3,199,380.30</u>	<u>7,505,195.75</u>	<u>6,965,255.96</u>		<u>3,739,320.09</u>
Total	<u>\$ 3,246,298.20</u>	<u>\$ 7,510,939.95</u>	<u>\$ 6,983,639.76</u>	\$ -	<u>\$ 3,773,598.39</u>
Ref.	B				B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

<u>Year</u>	<u>Amount</u>
2018	\$6,076.40
2019	<u>5,862.40</u>
	<u>\$11,938.80</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 DEPOSITS

	Balance <u>12/31/19</u>	12/31/19 <u>Encumbered</u>	<u>Cash</u>		12/31/20 <u>Encumbered</u>	Balance <u>12/31/20</u>
			<u>Receipts</u>	<u>Disbursements</u>		
Abandoned & Vacant Property Enforcement	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ 50,000.00
Cable TV	34,157.70	225.00	16,000.00	5,780.15		44,602.55
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	123,900.77					123,900.77
Donations - Fire Equipment			37,000.00			37,000.00
Donations - Fire Museum	3,261.76		201.00			3,462.76
Engineering Escrow	178,698.24		176,428.65	215,740.15	12,230.76	127,155.98
Environmental Commission	13,160.46	120.00			120.00	13,160.46
Fire Safety	5,054.72	313.00		368.95		4,998.77
Hurricane Sandy Donations	500.00					500.00
Jersey Strong Inspection	4,918.88					4,918.88
Maintenance Reserve	52,032.06					52,032.06
Performance Deposits	703,543.69		68,281.84	66,223.75		705,601.78
Planning Board Escrow	108,811.09	31,562.34	272,088.20	246,351.72	279.00	165,830.91
POAA	15,216.81		2,074.00	11,366.00		5,924.81
Police Community Policing	1,732.81		3,000.00	1,693.13	2,888.57	151.11
Police O/T	112,950.27	57,921.47	458,792.32	508,725.50	26,559.75	94,378.81
Public Defenders Fees	4,289.96	500.00	7,401.00	7,000.00	500.00	4,690.96
Reserve for Retirement	678,382.68		30,000.00			708,382.68
Road Opening Inspections	22,819.51	375.00	107,982.42	46,974.94		84,201.99
Sanitary Landfill Closure			10,444.39			10,444.39
Sewer Escrow	7,083.13					7,083.13
Snow Removal	40,154.14	10,000.00				50,154.14
Street Openings	54,373.36					54,373.36
UFC Penalties - Fire Dept.	513.01	14,726.85	20,000.00	34,726.85		513.01
Wedding Donations	900.00		300.00			1,200.00
Total	\$ 2,250,993.45	\$ 115,743.66	\$ 1,209,993.82	\$ 1,144,951.14	\$ 42,578.08	\$ 2,389,201.71

<u>Ref.</u>	B	B			B	B
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General Capital Fund

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2019	C		\$ 1,944,103.64
Increased by Receipts:			
Capital Improvement Fund	C- 4	\$ 2,650,000.00	
Deferred Charges - Unfunded	C- 6	4,575,000.00	
Grants, Loans and Other Receivables	C- 7	619,285.97	
ERG Payment of Debt Service	C-13	150,462.00	
Payment of Debt Service	C-14	<u>282,215.82</u>	
			<u>8,276,963.79</u>
			10,221,067.43
Decreased by Disbursements:			
Improvement Authorizations	C- 8	1,647,096.41	
Bond Anticipation Notes	C- 9	<u>3,715,000.00</u>	
			<u>5,362,096.41</u>
Balance - December 31, 2020	C,C-3		<u><u>\$ 4,858,971.02</u></u>

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2019</u>	BALANCE DEC. 31, <u>2020</u>
Fund Balance	\$ 272,867.07	\$ 272,867.07
Capital Improvement Fund	68,011.83	1,465,011.83
Reserve for Payment of Future Debt Service - ERG	948,525.61	1,098,987.61
Reserve for Payment of Future Debt Service	503,264.48	785,480.30
Reserve for Encumbrances Payable	655,876.65	467,890.76
N.J. D.O.T. Grants Receivable/Reserve	(4,061,757.99)	(4,175,639.02)
Due from SCIA	(3,303.34)	(3,303.34)

Improvement Authorizations:

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>		
2227	Various Improvements	1,784.80	1,784.80
2332	Various Improvements	28,257.28	507.28
2412	Various Improvements General Capital	9,971.40	9,971.40
2420	Various Improvements	92,632.13	53,792.13
2441	Various Improvements	18,341.71	18,341.71
2468	Various Redevelopment Projects	5,960.76	2,760.12
2470	Various Improvements	124,799.56	83,959.56
2482/2574	Site Remediation at Landfill	2,308,059.56	2,053,335.01
2484	Parking Lot Project - SCIA		
2495	Redevelopment	8,903.17	(5,000.00)
2497	Various Improvements	10,622.03	(22,537.27)
2499	Sidewalk Assessment	(30,008.09)	(30,008.09)
2505	Purchase of a Fire Truck - SCIA	72,426.72	72,426.72
2518	Various Improvements	62,051.87	7,516.87
2550	Various Improvements	919,117.54	858,614.68
2570/2578	Various Improvements	(84,484.03)	1,000,779.94
2577	Sidewalk Assessment	1,245.00	1,245.00
2591	Acquisition of Police Mobile Radio System	10,937.92	(3,232.83)
2614	Various Improvements		844,754.84
2617	Parking Garage		(1,336.06)
		<u>\$ 1,944,103.64</u>	<u>\$ 4,858,971.02</u>
		<u>Ref.</u>	
		C	C

Exhibit - C-4

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 68,011.83
Increased by:		
2020 Budget Appropriation	C- 2	<u>2,650,000.00</u>
		2,718,011.83
Decreased by:		
Improvement Authorizations Funded	C- 8	<u>1,253,000.00</u>
Balance - December 31, 2020	C	<u>\$ 1,465,011.83</u>

Exhibit - C-5

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

	<u>REF.</u>		
Balance - December 31, 2019	C		\$ 17,244,262.85
Increased by:			
Serial Bonds Issued	C-6,C-10		<u>4,575,000.00</u>
			21,819,262.85
Decreased by:			
Serial Bonds Payable	C-10	\$ 1,620,000.00	
NJEIT Loans Payable	C-11	220,194.13	
SCIA Leases Payable	C-16	<u>265,367.40</u>	
			<u>2,105,561.53</u>
Balance - December 31, 2020	C		<u>\$ 19,713,701.32</u>

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2019	2020 AUTHORI- ZATIONS	BONDS ISSUED	IMPROVEMENT AUTHORIZATIONS CANCELLED	BALANCE DEC. 31, 2020	ANALYSIS OF BALANCE DECEMBER 31, 2020	
							EXPENDI- TURES	UNEXPENDED BALANCE OF IMPROV. AUTH.
	<u>General Improvements</u>							
2470	Various Improvements	\$ 355,466.83	\$ -	\$ 320,000.00	\$ -	\$ 35,466.83	\$ -	\$ 35,466.83
2495	Various Redevelopment Projects	95,000.00		90,000.00		5,000.00	5,000.00	
2497	Various Improvements	600,110.00		566,000.00		34,110.00	22,537.27	11,572.73
2499	Sidewalk Improvement	33,250.00				33,250.00	30,008.09	3,241.91
2518	Various Improvements	1,192,950.00		1,121,000.00		71,950.00		71,950.00
2550	Various Improvements	920,577.72		848,000.00		72,577.72		72,577.72
2570	Various Improvements	1,882,667.00		1,427,000.00	353,167.00	102,500.00		102,500.00
2574	Site Remediation at Landfill - amended	250,000.00				250,000.00		250,000.00
2577	Sidewalk Assessment	23,641.00				23,641.00		23,641.00
2591	Acquisition of Police Mobile Radio System	218,500.00		203,000.00		15,500.00	3,232.83	12,267.17
2617	Parking Garage		7,250,000.00			7,250,000.00	1,336.06	7,248,663.94
		<u>\$ 5,572,162.55</u>	<u>\$ 7,250,000.00</u>	<u>\$ 4,575,000.00</u>	<u>\$ 353,167.00</u>	<u>\$ 7,893,995.55</u>	<u>\$ 62,114.25</u>	<u>\$ 7,831,881.30</u>
<u>Ref.</u>		C	C-8	C-2	C-15	C	C-3	

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

	Ordinance Number	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020
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	2470	79,963.93			79,963.93
NJ Economic Development Authority - Hazardous Discharge	2482	1,935,699.30		8,900.00	1,926,799.30
New Jersey Environmental Infrastructure Trust (NJEIT)	2482	517,206.00			517,206.00
Somerset County Improvement Authority (SCIA) - Fire Truck	2505	72,478.32			72,478.32
New Jersey DOT	2550	45,884.00			45,884.00
New Jersey Safe Routes to Schools	2550	670,000.00			670,000.00
New Jersey DOT - North Midaugh Street	2570/2578	513,000.00		513,000.00	
New Jersey DOT - South Cadillac Drive	2570/2578	353,167.00		353,167.00	
New Jersey DOT - Davenport	2614		380,000.00	257,218.97	122,781.03
		<u>\$ 4,927,924.99</u>	<u>\$ 380,000.00</u>	<u>\$ 1,132,285.97</u>	<u>\$ 4,175,639.02</u>
	<u>Ref.</u>	C	C-8	Below	C
Cash Receipts	C-2			\$ 619,285.97	
Reserve for Grants Receivable	C-15			<u>513,000.00</u>	
				<u>\$ 1,132,285.97</u>	

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE - DEC. 31, 2019		2020 AUTHORIZATIONS	2019 ENCUMB-RANCES	PAID OR CHARGED	2020 ENCUMB-RANCES	BALANCE - DEC. 31, 2020	
		DATE	AMOUNT	FUNDED	UNFUNDED					FUNDED	UNFUNDED
<u>General Improvements:</u>											
2227	Various Improvements	04/02/07	\$ 1,098,000.00	\$ 1,784.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,784.80	\$ -
2332	Various Improvements	06/21/10	485,000.00	28,257.28					27,750.00	507.28	
2412	Various Improvements General Capital	03/18/13	545,000.00	9,971.40						9,971.40	
2420	Various Improvements	08/19/13	445,000.00	92,632.13			7,200.00	24,357.50	21,682.50	53,792.13	
2441	Various Improvements	05/19/14	936,000.00	18,341.71						18,341.71	
2468	Various Redevelopment Projects	05/04/15	200,000.00	5,960.76				3,200.64		2,760.12	
2470	Various Improvements	06/15/15	886,530.00		140,266.39			20,840.00		83,959.56	35,466.83
2482/	Site Remediation at Landfill	12/07/15	16,229,114.00	2,308,059.56				254,724.55		2,053,335.01	
2574	Amending Ordinance 2482	06/17/19	250,000.00		250,000.00						250,000.00
2495	Various Redevelopment Projects	03/21/16	100,000.00		8,903.17			8,903.17			
2497	Various Improvements	03/21/16	631,695.00		20,732.03		5,635.00	10,091.80	4,702.50		11,572.73
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						72,426.72	
2518	Various Improvements	04/03/17	1,361,000.00		65,001.87		95,821.22	72,581.22	8,775.00	7,516.87	71,950.00
2550	Various Improvements	05/21/18	1,948,036.00	19,117.54	920,577.72		79,347.35	64,583.36	23,266.85	858,614.68	72,577.72
2570/	Various Improvements	05/20/19	1,070,000.00		1,198,182.97		467,873.08	508,509.96	54,266.15	1,000,779.94	102,500.00
2578	Amending Ordinance 2570	07/15/19	866,167.00								
2577	Sidewalk Assessment	08/05/19	24,886.00	1,245.00	23,641.00					1,245.00	23,641.00
2591	Acquisition of Police Mobile Radio System	11/18/19	230,000.00	10,937.92	218,500.00			217,170.75			12,267.17
2614	Various Improvements	04/20/20	1,633,000.00			1,633,000.00		460,797.40	327,447.76	844,754.84	
2617	Parking Garage	07/20/20	7,250,000.00			7,250,000.00		1,336.06			7,248,663.94
				<u>\$2,568,734.82</u>	<u>\$2,849,047.06</u>	<u>\$ 8,883,000.00</u>	<u>\$655,876.65</u>	<u>\$ 1,647,096.41</u>	<u>\$467,890.76</u>	<u>\$ 5,009,790.06</u>	<u>\$7,831,881.30</u>
		<u>Ref.</u>	C	C		C	C-2	C	C	C	
Capital Improvement Fund		C-4				\$ 1,253,000.00					
Deferred Charges to Future Taxation - Unfunded		C-6				7,250,000.00					
Grants Receivable		C-7				380,000.00					
						<u>\$ 8,883,000.00</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, 2019</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2020</u>
2470	Various Improvements	11/09/17	11/06/19	11/05/20	1.75%	\$ 340,000.00	\$ 340,000.00	\$ -
2495	Various Redevelopment Projects	11/09/17	11/06/19	11/05/20	1.75%	95,000.00	95,000.00	
2497	Various Improvements	11/09/17	11/06/19	11/05/20	1.75%	590,000.00	590,000.00	
2518	Various Improvements	11/09/17	11/06/19	11/05/20	1.75%	1,190,000.00	1,190,000.00	
2550	Various Improvements	11/07/18	11/06/19	11/05/20	1.75%	900,000.00	900,000.00	
2570	Various Improvements	11/06/19	11/06/19	11/05/20	1.75%	600,000.00	600,000.00	
						<u>\$ 3,715,000.00</u>	<u>\$ 3,715,000.00</u>	<u>\$ -</u>
<u>Ref.</u>						C	C- 2	C

SCHEDULE OF GENERAL SERIAL BONDS

DESCRIPTION	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	MATURITIES OF BONDS		BALANCE DEC. 31, 2019	INCREASE	DECREASED	BALANCE DEC. 31, 2020
				DATE	AMOUNT				
County Guaranteed Governmental Loan Revenue Bonds Series 2009B	10/01/09	\$ 3,360,000.00	3.750%	10/01/21	\$ 265,000.00	\$ 1,250,000.00	\$	\$ 265,000.00	\$ 985,000.00
			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	5.125%	10/01/21-22	285,000.00	1,350,000.00		285,000.00	1,065,000.00
			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%	09/15/21	410,000.00	3,000,000.00		400,000.00	2,600,000.00
			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 2014B	08/01/14	1,465,000.00	4.000%	08/01/21	250,000.00	545,000.00		295,000.00	250,000.00
General Obligation Bonds	04/14/16	6,770,000.00	1.750%	02/15/21	385,000.00	5,795,000.00		375,000.00	5,420,000.00
			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				

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 BONDS</u>		<u>BALANCE DEC. 31, 2019</u>	<u>INCREASE</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2020</u>
				<u>DATE</u>	<u>AMOUNT</u>				
General Obligation Bonds	11/04/20	\$ 4,575,000.00	3.000%	11/01/21	\$ 170,000.00	\$	\$ 4,575,000.00	\$	\$ 4,575,000.00
			3.000%	11/01/22	255,000.00				
			4.000%	11/01/23	260,000.00				
			4.000%	11/01/24	265,000.00				
			4.000%	11/01/25	265,000.00				
			4.000%	11/01/26	275,000.00				
			4.000%	11/01/27	280,000.00				
			4.000%	11/01/28	285,000.00				
			2.000%	11/01/29	295,000.00				
			2.000%	11/01/30	300,000.00				
			2.000%	11/01/31	305,000.00				
			2.000%	11/01/32	310,000.00				
			2.000%	11/01/33	315,000.00				
			2.000%	11/01/34	325,000.00				
			2.000%	11/01/35	330,000.00				
			2.000%	11/01/36	340,000.00				
						\$	\$	\$	\$
						<u>11,940,000.00</u>	<u>4,575,000.00</u>	<u>1,620,000.00</u>	<u>14,895,000.00</u>
					<u>Ref.</u>	C	C-5	C-5	C

SCHEDULE OF LOANS PAYABLE
NJ ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN PAYABLE

Balance - December 31, 2019	Ref. C	\$ 3,826,427.91
Decreased by:		
Cash Disbursements	C-5	<u>220,194.13</u>
Balance - December 31, 2020	C	<u><u>\$ 3,606,233.78</u></u>

SCHEDULE OF DUE FROM SOMERSET COUNTY
IMPROVEMENT AUTHORITY

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 3,303.34
Balance - December 31, 2020	C	<u>\$ 3,303.34</u>

SCHEDULE OF ERG RESERVE FOR PAYMENT OF
FUTURE DEBT SERVICE

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 948,525.61
Increased by:		
Cash Receipts	C-2	<u>150,462.00</u>
Balance - December 31, 2020	C	<u>\$ 1,098,987.61</u>

SCHEDULE OF RESERVE FOR PAYMENT OF
FUTURE DEBT SERVICE

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 503,264.48
Increased by:		
Cash Receipts - Premium on Bonds	C-2	<u>282,215.82</u>
Balance - December 31, 2020	C	<u>\$ 785,480.30</u>

SCHEDULE OF RESERVE FOR GRANTS RECEIVABLE

	<u>REF.</u>		
Balance - December 31, 2019	C		\$ 866,167.00
Decreased by:			
Grants Receivable Cancelled	C-6	\$ 353,167.00	
Grants Receivable Cancelled	C-7	<u>513,000.00</u>	
			<u>866,167.00</u>
Balance - December 31, 2020	C		<u>\$ -</u>

SCHEDULE OF SCIA LEASE PAYABLE

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF LOANS</u>		<u>BALANCE DEC. 31, 2019</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2020</u>
				<u>DATE</u>	<u>AMOUNT</u>			
SCIA Lease Payable	2014	\$ 296,083.52				\$ 39,096.71	\$ 39,096.71	\$
SCIA Lease Payable	2015	229,526.03				59,191.92	59,191.92	
SCIA Lease Payable - Parking Lot Project	2016	830,000.00				750,000.00	30,000.00	720,000.00
			1.27%	04/01/21-22	\$ 30,000.00			
			1.27%	04/01/23-25	35,000.00			
			1.88%	04/01/26-27	40,000.00			
			1.88%	04/01/28-30	45,000.00			
			2.20%	04/01/31-32	50,000.00			
			2.20%	04/01/33	55,000.00			
			2.20%	04/01/34-35	60,000.00			
			2.45%	04/01/36	65,000.00			
SCIA Lease Payable - Fire Truck	2016	808,000.00	2.25%	03/01/21	35,391.35	629,546.31	137,078.77	492,467.54
			2.25%	09/01/21	35,789.57			
			2.25%	03/01/22	36,192.28			
			2.25%	09/01/22	36,599.52			
			2.25%	03/01/23	37,011.34			
			2.25%	09/01/23	37,427.80			
			2.25%	03/01/24	37,848.94			
			2.25%	09/01/24	38,274.82			
			2.25%	03/01/25	38,705.49			
			2.25%	09/01/25	39,141.01			
			2.25%	03/01/26	39,581.43			
			2.25%	09/01/26	40,026.80			
			2.25%	03/01/27	40,477.19			
						<u>\$ 1,477,834.94</u>	<u>\$ 265,367.40</u>	<u>\$ 1,212,467.54</u>
					<u>Ref.</u>	<u>C</u>	<u>C- 5</u>	<u>C</u>

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

Exhibit C-17

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	BALANCE DEC. 31, 2019	2020 AUTHORIZATIONS	2020 BANS REDEEMED	2020 BONDS ISSUED	GRANT RECEIPTS	BALANCE DEC. 31, 2020
<u>General Improvements</u>							
2470	Various Improvements	\$ 15,466.83		\$ 340,000.00	\$ 320,000.00		\$ 35,466.83
2495	Various Redevelopment Projects	-		95,000.00	90,000.00		5,000.00
2497	Various Improvements	10,110.00		590,000.00	566,000.00		34,110.00
2499	Sidewalk Assessment	33,250.00					33,250.00
2518	Various Improvements	2,950.00		1,190,000.00	1,121,000.00		71,950.00
2550	Various Improvements	20,577.72		900,000.00	848,000.00		72,577.72
2570	Various Improvements	1,282,667.00		600,000.00	1,427,000.00	353,167.00	102,500.00
2574	Site Remediation at Landfill - amended	250,000.00					250,000.00
2577	Sidewalk Assessment	23,641.00					23,641.00
2591	Acquisition of Police Mobile Radio System	218,500.00			203,000.00		15,500.00
2617	Parking Garage		7,250,000.00				7,250,000.00
		<u>\$ 1,857,162.55</u>	<u>\$ 7,250,000.00</u>	<u>\$ 3,715,000.00</u>	<u>\$ 4,575,000.00</u>	<u>\$ 353,167.00</u>	<u>\$ 7,893,995.55</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, 2019	D	\$ 1,615,430.75	\$ 595,867.82
Increased by Receipts:			
Miscellaneous Revenue	D-3	\$ 934,399.95	
Consumer Accounts Receivable	D-8	2,741,038.74	
Sewer Overpayments	D-9	25,348.69	
Capital Improvement Fund	D-18		\$ 20,000.00
Sewer Bonds	D-24		1,060,000.00
Payment of Debt Service - Premium on Bonds	D-25		65,000.00
		<u>3,700,787.38</u>	<u>1,145,000.00</u>
		5,316,218.13	1,740,867.82
Decreased by Disbursements:			
2020 Budget Appropriations	D- 4	2,725,778.31	
Overpayment Refunds	D- 9	17,020.08	
2019 Appropriation Reserves	D-12	397,199.75	
Bond Anticipation Notes	D-16		442,000.00
Improvement Authorizations	D-17		189,619.17
Accrued Interest Payable	D-23	6,545.41	
		<u>3,146,543.55</u>	<u>631,619.17</u>
Balance - December 31, 2020	D	<u>\$ 2,169,674.58</u>	<u>\$ 1,109,248.65</u>

SCHEDULE OF SEWER UTILITY CHANGE FUND
SEWER UTILITY OPERATING FUND

	BALANCE DEC. 31, <u>2019</u>	BALANCE DEC. 31, <u>2020</u>
	\$ <u>50.00</u>	\$ <u>50.00</u>
<u>Ref.</u>	D	D

ANALYSIS OF SEWER UTILITY CAPITAL CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2019</u>	BALANCE DEC. 31, <u>2020</u>
Fund Balance	\$ 1,064.83	\$ 1,064.83
Capital Improvement Fund	65,000.00	67,500.00
Improvement Authorizations Funded	8,407.92	403,860.90
Improvement Authorizations Unfunded	315,339.68	4,037,002.91
Encumbrances Payable	45,037.80	87,071.25
Bonds and Notes Authorized but not Issued	(351,000.00)	(4,065,500.00)
Reserve for Payment of Debt Service		65,000.00
Down Payments on Improvements	732.00	732.00
Due to Sewer Operating Fund	<u>511,285.59</u>	<u>512,516.76</u>
	\$ <u>595,867.82</u>	\$ <u>1,109,248.65</u>
<u>Ref.</u>	D	D

() Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND

	<u>REF.</u>		
Balance - December 31, 2019	D		\$ 289,812.13
Increased by:			
Sewer Utility Billings (Net)	Reserve		<u>2,770,279.19</u>
			3,060,091.32
Decreased by:			
Collected	D-3,D-5	\$ 2,741,038.74	
Prepays Applied	D-3,D-10	<u>2,311.23</u>	
			<u>2,743,349.97</u>
Balance - December 31, 2020	D		<u><u>\$ 316,741.35</u></u>

SEWER RENTS OVERPAYMENTS
SEWER UTILITY OPERATING FUND

	<u>REF.</u>		
Balance - December 31, 2019	D		\$ 17,521.86
Increased by:			
Cash Receipts	D-5		<u>25,348.69</u>
			42,870.55
Decreased by:			
Refunded	D-5		<u>17,020.08</u>
Balance - December 31, 2020	D		<u><u>\$ 25,850.47</u></u>

Exhibit - D-10

PREPAID SEWER RENTS
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 2,311.23
Decreased by:		
Applied to Rents Receivable	D-8	<u>2,311.23</u>
Balance - December 31, 2020	D	<u><u>\$ -</u></u>

Exhibit - D-11

SCHEDULE OF SEWER UTILITY LIENS RECEIVABLE
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 1,850.00
Balance - December 31, 2020	D	<u><u>\$ 1,850.00</u></u>

SCHEDULE OF 2019 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2019</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	\$ 30,364.06	\$	\$ 0.06	\$	\$ 0.06
Other Expenses	131,864.64	15,395.00	17,259.64	14,990.00	2,269.64
Sewerage Authority (R.S. 40:14A-9):					
Share of Costs	152,662.01		313,026.01	313,026.01	-
NJDEP/ACO	48,364.06	84,599.00	132,963.06	69,183.71	63,779.35
	<u>\$ 363,254.77</u>	<u>\$ 99,994.00</u>	<u>\$ 463,248.77</u>	<u>\$ 397,199.72</u>	<u>\$ 66,049.05</u>
<u>Ref.</u>	D	D		D-5	D-1

SCHEDULE OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND

	Ref.	
Balance - December 31, 2019	D	\$ 3,360,258.40
Increased by:		
Transferred from Fixed Capital Authorized & Uncompleted	D-15	<u>189,619.17</u>
Balance - December 31, 2020	D	<u>\$ 3,549,877.57</u>

SCHEDULE OF INTERFUNDS RECEIVABLE
SEWER UTILITY OPERATING FUND

	<u>BALANCE DEC. 31, 2019</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE DEC. 31, 2020</u>
Interfunds:			
Sewer Capital Fund	\$ (511,285.59)	\$ 1,231.17	\$ (512,516.76)
Current Fund	<u>(11,579.04)</u>	<u> </u>	<u>(11,579.04)</u>
Total	<u>\$ (522,864.63)</u>	<u>\$ 1,231.17</u>	<u>\$ (524,095.80)</u>
<u>Ref.</u>	D	D-23	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2019	2020 AUTH	TRANSFERRED TO FIXED CAPITAL	BALANCE DEC. 31, 2020
		DATE	AMOUNT				
<u>General Improvements:</u>							
2378	Various Sewer Improvements	02/21/12	\$ 150,000.00	\$ 16,995.21	\$ -	\$ 1,914.33	\$ 15,080.88
2501	Various Sewer Improvements	05/02/16	360,000.00	23,525.18		23,525.18	-
2517	Various Sewer Improvements	04/07/17	250,000.00	148,857.09		145,985.57	2,871.52
2571	Various Sewer Improvements	05/20/19	180,000.00	179,407.92		8,496.21	170,911.71
2613	Various Sewer Utility Improvements	04/20/20	350,000.00		350,000.00	9,128.28	340,871.72
2621	Various Sewer Improvements	10/05/20	4,000,000.00		4,000,000.00	569.60	3,999,430.40
				<u>\$ 368,785.40</u>	<u>\$ 4,350,000.00</u>	<u>\$ 189,619.17</u>	<u>\$ 4,529,166.23</u>
		<u>Ref.</u>		D	D-17	D-13	D

SCHEDULE OF BOND ANTICIPATION NOTES
SEWER UTILITY CAPITAL FUND

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	ORIGINAL DATE OF ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2019	<u>DECREASED</u>	BALANCE DEC. 31, 2020
2501	Various Sewer Improvements	11/06/19	11/06/19	11/05/20	1.75%	\$ 342,000.00	\$ 342,000.00	\$ -
2517	Various Sewer Improvements	11/06/19	11/06/19	11/05/20	1.75%	100,000.00	100,000.00	-
						<u>\$ 442,000.00</u>	<u>\$ 442,000.00</u>	<u>\$ -</u>
					<u>Ref.</u>	D	D-5	D

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2019		2020 AUTHOR.	RESERVE FOR ENCUMBRANCES DEC. 31, 2019	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2020	BALANCE DEC. 31, 2020									
		DATE	AMOUNT	FUNDED	UNFUNDED					FUNDED	UNFUNDED								
<u>General Improvements:</u>																			
2378	Various Sewer Improvements	02/21/12	150,000.00	\$	\$ 16,995.21	\$	\$	1,914.33	\$	\$ 7,080.88	\$ 8,000.00								
2501	Various Sewer Improvements	05/02/16	360,000.00		-		23,525.18	23,525.18			-								
2517	Various Sewer Improvements	04/07/17	250,000.00		127,344.47		21,512.62	144,803.83	3,980.75		72.51								
2571	Various Sewer Improvements	05/20/19	180,000.00	8,407.92	171,000.00			10,909.12	31,900.00	126,598.80	10,000.00								
2613	Various Sewer Utility Improvements	04/20/20	350,000.00			350,000.00		9,128.28	51,190.50	270,181.22	19,500.00								
2621	Various Sewer Improvements	10/05/20	4,000,000.00			4,000,000.00		569.60			3,999,430.40								
				\$	8,407.92	\$	315,339.68	\$	4,350,000.00	\$	45,037.80	\$	190,850.34	\$	87,071.25	\$	403,860.90	\$	4,037,002.91
		<u>Ref.</u>	D	D	D-15	D			D	D	D								
Cash Disbursements			D-5					\$ 189,619.17											
Due to Sewer Utility Operating Fund			D-20					1,231.17											
								\$	190,850.34										

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 65,000.00
Increased by:		
2020 Budget Appropriation	D-5	<u>20,000.00</u>
		85,000.00
Decreased by:		
Approp. to Finance Improv. Author.	D-22	<u>17,500.00</u>
Balance - December 31, 2020	D	<u><u>\$ 67,500.00</u></u>

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

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 732.00
Balance - December 31, 2020	D	<u><u>\$ 732.00</u></u>

SCHEDULE OF DUE TO SEWER OPERATING FUND
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 511,285.59
Increased by:		
Improvement Authorizations Paid by Operating Fund	D-17	1,231.17
Balance - December 31, 2020	D	\$ 512,516.76

SCHEDULE OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 2,580,727.78
Balance - December 31, 2020	D	<u>\$ 2,580,727.78</u>

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2019</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>BALANCE DEC. 31, 2020</u>
	<u>General Improvements:</u>			
	<u>Date</u>			
1143	Various Sewer Improvements	\$ 469.83	\$ -	\$ 469.83
2142	Various Sewer Improvements	44,999.72		44,999.72
2190	Various Sewer Improvements	70,058.00		70,058.00
2307	Sewer Improvements	47,788.47		47,788.47
2360	Sewer Improvements	5,000.00		5,000.00
2378	Sewer Improvements	10,000.00		10,000.00
2501	Sewer Improvements	18,000.00		18,000.00
2517	Sewer Improvements	150,000.00		150,000.00
2571	Sewer Improvements	9,000.00		9,000.00
2613			17,500.00	17,500.00
		<u>\$ 355,316.02</u>	<u>\$ 17,500.00</u>	<u>\$ 372,816.02</u>

Ref. D D-18 D

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

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 1,181.74
Increased by:		
2020 Budget Accrued Interest	D-4	\$ 9,000.00
Accrued Interest Charged to Improvement Authorizations	D-14	<u>1,231.17</u>
		<u>10,231.17</u>
		11,412.91
Decreased by:		
Cash Disbursements	D-5	<u>6,545.41</u>
Balance - December 31, 2020	D	<u><u>\$ 4,867.50</u></u>

Analysis of Balance - December 31, 2020:

Principal Outstanding <u>12/31/20</u>	Interest Rate	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Bonds					
<u>\$ 1,060,000.00</u>	Various	11/01/20	12/31/20	2 months	<u>\$ 4,867.50</u>

SCHEDULE OF GENERAL SERIAL BONDS
SEWER UTILITY CAPITAL FUND

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF BONDS</u>		<u>BALANCE DEC. 31, 2019</u>	<u>INCREASE</u>	<u>BALANCE DEC. 31, 2020</u>
	<u>DATE</u>		<u>RATE</u>	<u>DATE</u>	<u>AMOUNT</u>			
General Sewer Obligation Bonds	11/04/20	\$ 1,060,000.00	3.000%	11/01/21	\$ 40,000.00	\$	\$ 1,060,000.00	\$ 1,060,000.00
			3.000%	11/01/22	60,000.00			
			4.000%	11/01/23	60,000.00			
			4.000%	11/01/24	60,000.00			
			4.000%	11/01/25	60,000.00			
			4.000%	11/01/26	65,000.00			
			4.000%	11/01/27	65,000.00			
			4.000%	11/01/28	65,000.00			
			2.000%	11/01/29	70,000.00			
			2.000%	11/01/30	75,000.00			
			2.000%	11/01/31	70,000.00			
			2.000%	11/01/32	70,000.00			
			2.000%	11/01/33	75,000.00			
			2.000%	11/01/34	75,000.00			
			2.000%	11/01/35	75,000.00			
			2.000%	11/01/36	75,000.00			
						\$	-	\$
							<u>\$ 1,060,000.00</u>	<u>\$ 1,060,000.00</u>
						<u>Ref.</u>	D	D-5
								D

SCHEDULE OF RESERVE FOR PAYMENT OF DEBT SERVICE
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ -
Increased by:		
Premium on Sewer Bonds issued	D-5	<u>65,000.00</u>
Balance - December 31, 2020	D	<u>\$ 65,000.00</u>

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2019</u>	<u>2020 AUTHORIZATIONS</u>	<u>BANS REDEEMED</u>	<u>BONDS ISSUED</u>	<u>BALANCE DEC. 31, 2020</u>
2360	Various Sewer Improvements	\$ 40,000.00	\$ -	\$ -	\$ 38,000.00	\$ 2,000.00
2378	Various Sewer Improvements	140,000.00			132,000.00	8,000.00
2501	Various Sewer Improvements	-		342,000.00	322,000.00	20,000.00
2517	Various Sewer Improvements	-		100,000.00	94,000.00	6,000.00
2571	Various Sewer Improvements	171,000.00			161,000.00	10,000.00
2613	Various Sewer Utility Improvements		332,500.00		313,000.00	19,500.00
2621	Various Sewer Improvements		4,000,000.00			4,000,000.00
		<u>\$ 351,000.00</u>	<u>\$ 4,332,500.00</u>	<u>\$ 442,000.00</u>	<u>\$ 1,060,000.00</u>	<u>\$ 4,065,500.00</u>
<u>Ref.</u>			Footnote D			Footnote D

Parking Utility Fund

SCHEDULE OF PARKING UTILITY CASH AND INVESTMENTS - TREASURER

	REF.	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2019	E	\$ 1,126,649.47	\$ -
Increased by Receipts:			
Parking Meters	E-2	\$ 283,889.57	
Parking Permits	E-2	19,109.76	
Parking Deck Fees	E-2	19,200.00	
Miscellaneous	E-2	18,751.63	
Budget Appropriation - Capital Improvement Fund	E-11		<u>\$ 175,000.00</u>
		<u>340,950.96</u>	<u>175,000.00</u>
		1,467,600.43	175,000.00
Decreased by Disbursements:			
2020 Budget Appropriations	E-3	467,498.42	
2019 Appropriation Reserves	E-6	60,252.63	
Improvement Authorizations	E-9		<u>475.00</u>
		<u>527,751.05</u>	<u>475.00</u>
Balance - December 31, 2020	E	<u>\$ 939,849.38</u>	<u>\$ 174,525.00</u>

ANALYSIS OF PARKING UTILITY CAPITAL CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2019</u>	BALANCE DEC. 31, <u>2020</u>
Parking Lot #8 Improvements	\$ _____	\$ <u>174,525.00</u>
	\$ <u> -</u>	\$ <u>174,525.00</u>
<u>Ref.</u>	E	E

() Denotes Deficit or Deduction

SCHEDULE OF 2019 APPROPRIATION RESERVES
PARKING UTILITY OPERATING FUND

	<u>BALANCE</u> DEC. 31, 2019	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> DEC. 31, 2019	<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	\$ 13,367.58	\$	\$ 13,367.58	\$	\$ 13,367.58
Other Expenses	<u>152,313.47</u>	<u>103,174.26</u>	<u>255,487.73</u>	<u>90,252.63</u>	<u>165,235.10</u>
	<u>\$ 165,681.05</u>	<u>\$ 103,174.26</u>	<u>\$ 268,855.31</u>	<u>\$ 90,252.63</u>	<u>\$ 178,602.68</u>
<u>Ref.</u>	E	E			E-1
Disbursed				\$ 60,252.63	
Accounts Payable	E-4			<u>30,000.00</u>	
	E-7			<u>\$ 90,252.63</u>	

SCHEDULE OF PARKING UTILITY ACCOUNTS PAYABLE

	<u>REF.</u>	
Balance - December 31, 2019	E	\$ 6,500.00
Increased by:		
Transfer from 2019 Appropriation Reserves	E-6	<u>30,000.00</u>
		36,500.00
Decreased by:		
Cancelled	E-1	<u>6,500.00</u>
Balance - December 31, 2020	E	<u><u>\$ 30,000.00</u></u>

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
PARKING UTILITY CAPITAL FUND

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	<u>ORDINANCE DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2019</u>	<u>2020 AUTH</u>	<u>BALANCE DEC. 31, 2020</u>
<u>General Improvements:</u>						
2616-20	Parking Lot #8 Improvements	06/15/20	\$ 175,000.00	_____	\$ 175,000.00	\$ 175,000.00
				\$ -	\$ 175,000.00	\$ 175,000.00
			<u>Ref.</u>	E	E-10	E

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
PARKING UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2019		2020 AUTHOR.	PAID OR CHARGED	BALANCE DEC. 31, 2020	
		DATE	AMOUNT	FUNDED	UNFUNDED			FUNDED	UNFUNDED
<u>Parking Improvements:</u>									
2616-20	Parking Lot #8 Improvements	06/15/20	\$ 175,000.00	\$ _____	\$ _____	\$ 175,000.00	\$ 475.00	\$ 174,525.00	\$ _____
				\$ -	\$ -	\$ 175,000.00	\$ 475.00	\$ 174,525.00	\$ -
		<u>Ref.</u>		E	E	E-11	E-4	E	E

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
PARKING UTILITY CAPITAL FUND

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	<u>Date</u>	<u>BALANCE DEC. 31, 2019</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>BALANCE DEC. 31, 2020</u>
	<u>Parking Improvements:</u>				
2616-20	Parking Lot #8 Improvements	06/15/20		\$ 175,000.00	\$ 175,000.00
			\$ -	\$ 175,000.00	\$ 175,000.00
			<u>Ref.</u>	E	E
				E-8	E

SCHEDULE OF CAPITAL IMPROVEMENT FUND
PARKING UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2019	E	\$ -
Increased by:		
2020 Budget Appropriation	E-4	<u>175,000.00</u>
		175,000.00
Decreased by:		
Approp. to Finance Improv. Author.	E-9	<u>175,000.00</u>
Balance - December 31, 2020	E	<u><u>\$ -</u></u>

Public Assistance Trust Fund

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

	<u>REF.</u>	
Balance - December 31, 2019	F	\$25,533.60
Balance - December 31, 2020	F	<u>\$25,533.60</u>

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance - December 31, 2019	F	\$25,533.60
Balance - December 31, 2020	F	<u>\$25,533.60</u>

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



**PART III
SINGLE AUDIT SECTION
YEAR ENDED DECEMBER 31, 2020**



**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
County of Somerset, 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 "Division"), the financial statements – regulatory basis of the Borough of Somerville, County of Somerset, New Jersey (the "Borough") as of and for the year ended December 31, 2020, 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 3, 2021, in which we expressed as adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the financial reporting provisions of the Division.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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.

20 Commerce Drive, Suite 301, Cranford, NJ 07016
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PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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'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 financial statements. 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. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough 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 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies
Certified Public Accountants

Cranford, New Jersey
August 3, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 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
County of Somerset, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Somerville, County of Somerset, New Jersey ("Borough") 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, 2020. The Borough'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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough'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 Local Government Services, Department of Community Affairs, 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'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's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Borough 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, 2020.

Report on Internal Control Over Compliance

Management of the Borough 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'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'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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies
Certified Public Accountants
Cranford, New Jersey
August 3, 2021

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule A

Federal Funding Department	CFDA Number	Total Award	Pass Through Account No.	Grant Period	Cash Receipts	Expenditures	Memo Cumulative Expenditures at December 31, 2020
Indirect Awards:							
Passed Through County of Somerset:							
Community Development Block Programs:							
Sanitary Sewer Grant	14.218	\$ 96,371.00		2019	\$ 96,371.00	\$ 96,371.00	\$ 96,371.00
Handicapped Ramp, Curbs & Sidewalks	14.218	100,000.00		2019	-	54,486.86	58,779.36
					<u>96,371.00</u>	<u>150,857.86</u>	<u>155,150.36</u>
Direct Programs:							
Department of Justice							
Federal Bulletproof Vest Partnership Program	16.607	4,167.18		2018		4,167.18	4,167.18
					-	4,167.18	4,167.18
Department of Law and Public Safety							
Emergency Management Performance Grant	97.042	10,000.00		2019	10,000.00		
					<u>10,000.00</u>	<u>-</u>	<u>-</u>
Department of Environmental Protection							
NJ Environmental Infrastructure Trust - 2016 - Trust	66.458	3,943,224.00		2016		61,593.49	3,642,100.53
					-	61,593.49	3,642,100.53
U.S. Department of Housing and Urban Development:							
Housing Voucher Cluster							
Section 8 Housing Choice Vouchers	14.871	2,499,039.00	NJ39V097013/026	2020	2,460,734.55	2,422,390.71	2,422,390.71
Section 8 Housing Choice Vouchers CARES Act Funding	14.871	133,904.00		2020	133,904.00	6,334.86	6,335.00
Mainstream Vouchers	14.879	95,757.00		2020	95,757.00	87,652.13	87,652.00
Total Housing Voucher Cluster					<u>2,690,395.55</u>	<u>2,516,377.70</u>	<u>2,516,377.71</u>
Department of Treasury							
Coronavirus Relief Fund	21.019	176,084.00		2020	176,084.00	176,084.00	176,084.00
					<u>176,084.00</u>	<u>176,084.00</u>	<u>176,084.00</u>
Total Expenditures of Federal Awards					<u>\$ 2,972,850.55</u>	<u>\$ 2,909,080.23</u>	<u>\$ 6,493,879.78</u>

Footnotes:

Grant Award/Amount Reflects Current Year Awards

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, 2020

STATE FUNDING DEPARTMENT AND DESCRIPTION	STATE ACCOUNT NUMBER	GRANT PERIOD	PROGRAM OR AWARD AMOUNT	RECEIPTS OR REVENUE RECOGNIZED	EXPENDITURES	MEMO CUMULATIVE EXPENDITURES
Direct Funding:						
Dept. of Environmental Protection						
2016 Clean Communities Program	042-4900-765-004-16	01/01/16-12/31/16	\$ 26,928.97	\$	\$	26,760.89
2017 Clean Communities Program	042-4900-765-004-17	01/01/17-12/31/17	22,877.85		477.12	22,877.85
2018 Clean Communities Program	042-4900-765-004-18	01/01/18-12/31/18	21,892.93		8,349.83	14,535.08
2019 Clean Communities Program	042-4900-765-004-19	01/01/19-12/31/19	24,395.49		1,873.48	1,873.48
2020 Clean Communities Program	042-4900-765-004-20	01/01/20-12/31/20	21,997.11	21,997.11		
Recycling Tonnage Grant	042-4910-100-224-16	01/01/16-12/31/16	15,456.23			10,511.12
Recycling Tonnage Grant	042-4910-100-224-19	01/01/19-12/31/19	13,550.33		13,550.00	13,550.00
Recycling Tonnage Grant	042-4910-100-224-20	01/01/20-12/31/20	8,475.13	8,475.13	8,475.13	8,475.13
Green Acres Chambers Park		01/01/18-12/31/18	573,355.00		6,382.51	29,118.40
Hazardous Discharge Site Remediation Fund (HDSRF)	P38794,P39541, P40958	Infinite	12,285,890.00		193,131.06	10,533,678.46
Hazardous Discharge Site Remediation Fund (HDSRF)		01/01/18-12/31/18	455,730.00		95,388.69	152,850.76
Dept. of Health						
Alcohol Education & Rehab. Fund	098-9735-760-001-16	01/01/16-12/31/16	1,692.08			1,026.33
Alcohol Education & Rehab. Fund	098-9735-760-001-17	01/01/17-12/31/17	3,217.00			
Alcohol Education & Rehab. Fund	098-9735-760-001-18	01/01/18-12/31/18	7,469.71			
Alcohol Education & Rehab. Fund	098-9735-760-001-19	01/01/19-12/31/19	4,179.48			
Alcohol Education & Rehab. Fund	098-9735-760-001-20	01/01/20-12/31/20	3,000.74	3,000.74		
Dept. of Law/Pub. Safety						
Body Armor Replacement Fund	066-1020-718-001-16	01/01/16-12/31/16	5,055.43			
Body Armor Replacement Fund	066-1020-718-001-18	01/01/18-12/31/18	2,990.70		2,990.70	2,990.70
Body Armor Replacement Fund	066-1020-718-001-19	01/01/19-12/31/19	3,411.96		3,411.96	3,411.96
Body Armor Replacement Fund	066-1020-718-001-20	01/01/20-12/31/20	3,185.90	3,185.90	14.16	14.16
Drunk Driving Enforcement Fund	066-6400-100-078-19	01/01/19-12/31/19	6,941.17			
Dept. of Transportation						
Highway Safety Fund	078-6100-100-051	01/01/18-12/31/18	1,254.63			878.08
Department of Transportation Ord #2550	078-6320-480-AMQ	infinite	853,536.00		56,080.50	267,730.76
Department of Transportation Ord #2570	078-6320-480-ANP	01/01/19-12/31/19	353,167.00	353,167.00	353,167.00	353,167.00
Department of Transportation Ord #2614	078-6320-480-AN8	01/01/20-12/31/20	380,000.00	257,218.97	27,354.21	27,354.21
NJ Historic Trust						
NJ Historical Preservation Grant	unavailable	01/01/17-12/31/17	77,267.00			53,946.13
Indirect Funding:						
County of Somerset						
Municipal Alliance Program	082-2000-100-044-16	07/01/15-06/30/16	11,029.36			7,808.92
Municipal Alliance Program	082-2000-100-044-17	07/01/16-06/30/17	13,786.70			13,723.06
Municipal Alliance Program	082-2000-100-044-18	07/01/17-06/30/18	13,786.70			13,101.36
Municipal Alliance Program	082-2000-100-044-19	07/01/18-06/30/19	13,786.70		2,786.75	2,786.75
Municipal Alliance Program	082-2000-100-044-20	07/01/19-06/30/20	13,786.70	1,216.91		
				<u>\$ 648,261.76</u>	<u>\$ 773,433.10</u>	<u>\$ 11,562,170.59</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 SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2020

NOTE 1: GENERAL

The accompanying schedules 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 minimus 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 AND STATE 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, 2020, 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	\$3,606,233.78

BOROUGH OF SOMERVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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 federal 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 federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871</u>	<u>Housing Voucher Cluster</u>
<u>14.871</u>	<u>Section 8 Housing Choice Voucher</u>
<u>14.871</u>	<u>HCV CARES Act Funding</u>
<u>14.879</u>	<u>Mainstream 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, 2020

State Financial Assistance

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 state 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 state programs:

<u>GMIS Number(s)</u>	<u>Name of State Program or Cluster</u>
<u>078-6320-480</u>	<u>State Aid Highway Projects - Highway</u>
_____	<u>Planning and Construction</u>
_____	_____
_____	_____

BOROUGH OF SOMERVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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(a) 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 Awards and State Financial Assistance Programs:

Significant Deficiency(ies)/Material Weaknesses:

None noted.

Noncompliance:

None noted.

BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET, NEW JERSEY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section 1 – Summary of Prior Year Findings

None

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



**PART IV
SUPPLEMENTARY DATA
YEAR ENDED DECEMBER 31, 2020**

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
AS OF DECEMBER 31, 2020

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	SEWER UTILITY FUND	PARKING UTILITY FUND	PUBLIC ASSISTANCE FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM TOTAL ONLY	
								DEC. 31, 2020	DEC. 31, 2019
Cash and Investments	\$ 13,603,516.47	\$ 3,643,041.39	\$ 4,858,971.02	\$ 3,278,973.23	\$ 1,114,374.38	\$	\$	\$ 26,498,876.49	\$ 21,874,550.49
Due from State of NJ - SC/Vet Deductions	40,749.19							40,749.19	22,329.22
Accounts Receivable:									
State & Federal Grants Receivable	1,278,622.45	52,646.89	4,175,639.02					5,506,908.36	6,331,847.83
Taxes, Assessments, Liens & Utility Charges	981,086.56	4,907.84		318,591.35				1,304,585.75	1,182,337.47
Interfund Loans	973,919.96	229,510.42		524,095.80		25,533.60		1,753,059.78	1,944,725.74
Other Accounts Receivable	7,803.24		3,303.34					11,106.58	40,967.89
Property Acquired for Taxes at Assessed Valuation	28,500.00							28,500.00	28,500.00
Fixed Assets - General							29,494,225.00	29,494,225.00	29,779,807.00
Fixed Capital - Utility				8,079,043.80	175,000.00			8,254,043.80	3,729,043.80
Deferred Charges to Future Taxation: General Capital Fund			27,607,696.87					27,607,696.87	22,816,425.40
	<u>\$ 16,914,197.87</u>	<u>\$ 3,930,106.54</u>	<u>\$ 36,645,610.25</u>	<u>\$ 12,200,704.18</u>	<u>\$ 1,289,374.38</u>	<u>\$ 25,533.60</u>	<u>\$ 29,494,225.00</u>	<u>\$ 100,499,751.82</u>	<u>\$ 87,750,534.84</u>

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	SEWER UTILITY FUND	PARKING UTILITY FUND	PUBLIC ASSISTANCE FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM TOTAL ONLY	
								DEC. 31, 2020	DEC. 31, 2019
Bonds and Notes Payable	\$	\$	\$ 14,895,000.00	\$ 1,060,000.00	\$	\$	\$	\$ 15,955,000.00	\$ 16,097,000.00
Loans Payable			4,818,701.32					4,818,701.32	5,304,262.85
Prepaid Taxes, Assessments, Utility Charges and Licenses	417,093.82							417,093.82	358,570.46
Tax, Assessment, Lien, License and Utility Charge Overpayments	397.32	4,907.84		25,850.47				31,155.63	28,429.05
Appropriation Reserves	1,893,087.72			190,173.12	88,251.30			2,171,512.14	1,519,134.27
Reserve for Encumbrances/Accounts Payable	1,088,347.94	42,579.28	467,890.76	211,987.32	110,750.28			1,921,555.58	1,981,658.26
Amts. Pledged to Specific Purposes	1,869,709.88	3,820,747.52	3,349,479.74	133,232.00		25,533.60		9,198,702.74	8,357,967.70
Improvement Authorizations			12,841,671.36	4,440,863.81	174,525.00			17,457,060.17	5,741,529.48
Interfund Loans	1,189,138.64	51,404.38		512,516.76				1,753,059.78	1,944,725.74
Investments in Governmental Fixed Assets							29,494,225.00	29,494,225.00	29,779,807.00
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				2,953,543.80	175,000.00			3,128,543.80	2,936,043.80
Reserve for Certain Assets Acquired or Receivables & Inventories	1,029,260.58			318,591.35				1,347,851.93	1,265,826.76
Fund Balance	<u>9,427,161.97</u>	<u>10,467.52</u>	<u>272,867.07</u>	<u>2,353,945.55</u>	<u>740,847.80</u>			<u>12,805,289.91</u>	<u>12,435,579.47</u>
	<u>\$ 16,914,197.87</u>	<u>\$ 3,930,106.54</u>	<u>\$ 36,645,610.25</u>	<u>\$ 12,200,704.18</u>	<u>\$ 1,289,374.38</u>	<u>\$ 25,533.60</u>	<u>\$ 29,494,225.00</u>	<u>\$ 100,499,751.82</u>	<u>\$ 87,750,534.84</u>

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

Revenue and Other Income Realized	Year 2020		Year 2019	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 4,343,000.00	7.93	\$ 1,850,000.00	3.50
Miscellaneous - From Other Than Local Property Tax Levies	6,840,789.74	12.48	8,077,483.81	15.28
Collection of Delinquent Taxes and Tax Title Liens	584,710.40	1.07	574,718.97	1.09
Collection of Current Tax Levies	<u>43,029,940.84</u>	<u>78.52</u>	<u>42,354,214.12</u>	<u>80.13</u>
Total Income	<u>54,798,440.98</u>	<u>100.00</u>	<u>52,856,416.90</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	19,973,931.01	39.42	19,074,480.81	38.72
County Taxes	5,322,431.60	10.50	5,255,654.39	10.67
Local School Taxes	24,772,858.00	48.89	24,322,558.00	49.38
Other Expenditures	<u>604,862.51</u>	<u>1.19</u>	<u>604,224.34</u>	<u>1.23</u>
Total Expenditures	<u>50,674,083.12</u>	<u>100.00</u>	<u>49,256,917.54</u>	<u>100.00</u>
Excess in Revenue	4,124,357.86		3,599,499.36	
Fund Balance January 1	<u>9,645,804.11</u>		<u>7,896,304.75</u>	
	13,770,161.97		11,495,804.11	
Less:				
Utilization as Anticipated Revenue	<u>4,343,000.00</u>		<u>1,850,000.00</u>	
Fund Balance December 31	<u>\$ 9,427,161.97</u>		<u>\$ 9,645,804.11</u>	

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

Revenue and Other Income Realized	Year 2020		Year 2019	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 137,000.00	3.53	\$ 165,000.00	5.38
Rents	2,743,349.97	70.69	2,669,041.08	87.01
Miscellaneous From Other Than Membership Fees	1,000,448.97	25.78	233,431.48	7.61
Total Income	<u>3,880,798.94</u>	<u>100.00</u>	<u>3,067,472.56</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	2,971,000.00	97.57	2,885,000.00	97.83
Capital Improvements	20,000.00	0.66	20,000.00	0.68
Debt Service	9,000.00	0.29		0.00
Deferred Charges and Statutory Expenditures	45,000.00	1.48	44,000.00	1.49
Total Expenditures	<u>3,045,000.00</u>	<u>100.00</u>	<u>2,949,000.00</u>	<u>100.00</u>
Excess in Revenue	835,798.94		118,472.56	
Fund Balance January 1	<u>1,654,081.78</u>		<u>1,700,609.22</u>	
	2,489,880.72		1,819,081.78	
Less:				
Utilization as Anticipated Revenue	<u>137,000.00</u>		<u>165,000.00</u>	
Fund Balance December 31	<u>\$ 2,352,880.72</u>		<u>\$ 1,654,081.78</u>	

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

Revenue and Other Income Realized	Year 2020		Year 2019	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 275,000.00	34.33		
Parking Meters	283,889.57	35.44	\$ 699,503.51	70.25
Parking Permits	19,109.76	2.38	28,248.41	2.84
Parking Deck Fees	19,200.00	2.40	48,640.00	4.88
Miscellaneous From Other Than Parking Related Fees	203,854.31	25.45	219,330.27	22.03
Total Income	801,053.64	100.00	995,722.19	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Operating	436,500.00	68.58	654,500.00	96.75
Capital Improvements	175,000.00	27.49		
Deferred Charges and Statutory Expenditures	25,000.00	3.93	22,000.00	3.25
Total Expenditures	636,500.00	100.00	676,500.00	100.00
Excess in Revenue	164,553.64		319,222.19	
Fund Balance January 1	851,294.16		532,071.97	
	1,015,847.80		851,294.16	
Less:				
Utilization as Anticipated Revenue	275,000.00		-	
Fund Balance December 31	\$ 740,847.80		\$ 851,294.16	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rate:</u>	<u>\$3.660</u>	<u>\$3.635</u>	<u>\$3.596</u>
<u>Apportionment of Tax Rate:</u>			
Municipal:	<u>1.099</u>	<u>1.095</u>	<u>1.085</u>
County:	<u>0.453</u>	<u>0.452</u>	<u>0.442</u>
Local School:	<u>2.108</u>	<u>2.088</u>	<u>2.069</u>
<u>Assessed Valuation:</u>			
2020	<u>\$1,174,995,842.00</u>		
2019		<u>\$1,164,726,603.00</u>	
2018			<u>\$1,161,416,843.00</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 2020 to be \$43,000.

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>
2020	\$ 43,677,094.80	\$ 43,029,940.84	98.52%
2019	43,020,218.73	42,354,214.12	98.45%
2018	42,446,799.33	41,665,248.89	98.16%

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>
2020	\$ 403,785.63	\$ 577,300.93	\$ 981,086.56	2.25%
2019	299,908.53	585,858.97	885,767.50	2.06%
2018	265,692.03	663,312.35	929,004.38	2.19%

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>
2020	\$ 28,500.00
2019	28,500.00
2018	28,500.00

COMPARISON OF SEWER UTILITY LEVIES AND COLLECTIONS

<u>Calendar Year</u>	<u>SEWER UTILITY</u>	
	<u>Levies</u>	<u>Collections*</u>
2020	\$ 2,770,279.19	\$ 2,743,349.97
2019	2,675,973.57	2,669,041.08
2018	2,742,734.78	2,801,177.70

*Include collections against prior year balances.

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Calendar Year</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2020	\$ 9,427,161.97	\$ 2,700,000.00
	2019	9,645,804.11	4,343,000.00
	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

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Calendar Year</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
Sewer Utility	2020	\$ 2,352,880.72	\$ 150,000.00
Operating Fund	2019	1,654,081.78	137,000.00
	2018	1,700,609.22	165,000.00
	2017	949,967.99	158,316.02
	2016	620,619.13	None
Parking Utility	2020	\$ 740,847.80	\$ 227,500.00
Operating Fund	2019	851,294.16	275,000.00
	2018	532,071.97	None
	2017	209,778.73	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, 2020:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Dennis Sullivan	- Mayor	*
Roger Vroom	- President of Council	*
Granville Brady	- Councilperson	*
Jane Kobuta	- Councilperson	*
Thompson Mitchell	- Councilperson	*
RanD Pitts	- Councilperson	*
Fred Wied V	- Councilperson	*
Kevin Sluka	- Business Administrator, Borough Clerk, Election Officer	*
Paige Elster	- Chief Financial Officer/Tax Collector	*
Janet E. Kelk	- 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	
John Muselli	- Community Development Director, Code Official, Zoning Officer	
Robert Lynn Jr.	- 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
YEAR ENDED DECEMBER 31, 2020**

**BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET, NEW JERSEY
YEAR ENDED DECEMBER 31, 2020**

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, 2020, 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, 2020, 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 3, 2021 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:

2020-1 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 January 22, 2021, the Local Public Contracts Law was amended, effective on July 1, 2020. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$40,000 to \$44,000 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 for those municipalities that do not have a Qualified Purchasing Agent. As of December 31, 2020, 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 \$44,000 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, 2020, 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 21, 2020. 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 2020	10
CY 2019	8
CY 2018	10

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, 2020.

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. The processing of confirming orders was noted.

It is suggested the Borough review policies and procedures to eliminate the use of confirming orders.

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, 2020. The minimum surety bond requirements for both the Tax Collector and Municipal Court were met for the year 2020.

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 2020, 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, 2020. 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

AU Section 325 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 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 was not required to prepare and file a corrective action plan for the year 2019, pursuant to Local Finance Notice No. 92-15 issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as there were no recommendations.

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,

PKF O'Connor Davies, LLP



Andrew G. Hodulik, CPA, RMA
No. 406