

**BOROUGH OF WATCHUNG  
COUNTY OF SOMERSET  
NEW JERSEY**

**REPORT ON  
EXAMINATION OF ACCOUNTS  
FOR THE YEAR 2019**

**SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS**

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

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**REPORT ON EXAMINATION**  
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**AND**  
**SUPPLEMENTARY EXHIBITS**  
**YEAR ENDED DECEMBER 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Watchung  
Watchung, New Jersey 07069

### **Report on the Financial Statements**

We have audited the financial statements - regulatory basis of the various funds and account groups of the Borough of Watchung in the County of Somerset, as of and for the years then ended December 31, 2019 and the related notes to the financial statements - regulatory basis, as listed in the foregoing table of contents. The financial statements of the Borough of Watchung as of December 31, 2018 were audited by other auditors whose report dated August 7, 2019 expressed an unmodified opinion on those statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements - regulatory basis in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements - regulatory basis that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements - regulatory basis based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements - regulatory basis are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements - regulatory basis. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements - regulatory basis, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements - regulatory basis 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 - regulatory basis.

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

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

As described in Note 1, these financial statements - regulatory basis have been prepared in conformity with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 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 the Adverse Opinion on U.S. Generally Accepted Accounting Principles*" paragraph, the financial statements - regulatory basis referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2019 and the results of its operations for the years then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements - regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Watchung at December 31, 2019, and the results of operations and changes in fund balance, where applicable, of such funds, hereof for the years then ended, in accordance with accounting principles on the basis of financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements - regulatory basis that collectively comprise the Borough's financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements - regulatory basis.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements - regulatory basis taken as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020 on our consideration of the Borough of Watchung's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Watchung'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 of Watchung's internal control over financial reporting and compliance.



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



ANDREW R. PASCALE, CPA, RMA

Newark, New Jersey  
December 4, 2020

BOROUGH OF WATCHUNG  
CURRENT FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

A  
Sheet #1

<u>ASSETS</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2019</u>	Balance <u>Dec. 31, 2018</u>
<u>Regular Fund</u>			
Cash	A-4	\$6,373,184.99	\$5,366,463.76
Cash - Change Funds	A-5	250.00	250.00
Due from State of New Jersey per Ch. 129, P.L. 1976	A-11	4,141.79	4,141.79
		<u>6,377,576.78</u>	<u>5,370,855.55</u>
Receivables and Other Assets with Full Reserves:			
Taxes Receivable	A-7	272,172.31	140,578.17
Revenue Accounts Receivable	A-8	8,388.88	11,435.82
Interfunds Receivable	A-19	6,134.38	1,717.74
		<u>286,695.57</u>	<u>153,731.73</u>
		<u>6,664,272.35</u>	<u>5,524,587.28</u>
<u>Grant Fund</u>			
Cash	A-4	277,137.66	120,924.92
Grants Receivable	A-9	95,018.04	187,000.00
		<u>372,155.70</u>	<u>307,924.92</u>
		<u>\$7,036,428.05</u>	<u>\$5,832,512.20</u>

BOROUGH OF WATCHUNG  
CURRENT FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

A  
Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
<u>Regular Fund</u>			
Appropriation Reserves:			
Unencumbered	A-3	\$ 912,726.34	\$ -
Encumbered	A-3,10	363,222.50	454,372.53
Accounts Payable	A-12	47,068.86	169,898.53
Prepaid Licenses	A-13	750.00	1,650.00
Prepaid Taxes	A-14	268,354.61	292,140.58
Local School District School Taxes Payable	A-17	2.00	-
Interfunds Payable	A-19	76,292.20	20,340.86
Reserve for Sewer Repair Emergency	A-20	11,792.76	11,792.76
Due to State of New Jersey - Construction Code	A-21	16,652.00	4,447.00
Reserve for Tax Appeals	A-22	59,245.22	67,848.91
Tax Sale Premiums and Outside Liens	A-23	240,955.42	182,455.42
		<u>1,997,061.91</u>	<u>1,204,946.59</u>
Reserve for Receivables	Reserve	286,695.57	153,731.73
Fund Balance	A-1	4,380,514.87	4,165,908.96
		<u>6,664,272.35</u>	<u>5,524,587.28</u>
<u>Grant Fund</u>			
Reserve for Grants - Appropriated	A-24	372,155.70	294,944.30
Reserve for Grants - Unappropriated	A-26		12,980.62
		<u>372,155.70</u>	<u>307,924.92</u>
		<u>\$7,036,428.05</u>	<u>\$5,832,512.20</u>

See accompanying notes to financial statements.

BOROUGH OF WATCHUNG  
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS  
AND CHANGES IN FUND BALANCE - REGULATORY BASIS

A-1

	<u>Ref.</u>	<u>Year 2019</u>	<u>Year 2018</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 1,025,000.00	\$ 925,000.00
Miscellaneous Revenue Anticipated	A-2	3,594,219.74	3,678,434.12
Receipts from Delinquent Taxes	A-2	140,550.30	193,587.73
Receipts from Current Taxes	A-2a	37,319,300.62	35,704,783.55
Nonbudget Revenue	A-2	248,099.67	193,628.84
Other Credits to Income:			
Interfunds Returned			11,699.44
Unexpended Balance of Appropriation Reserves	A-10	310,059.51	538,259.23
Accounts Payable Cancelled	A-12		1,800.00
		<u>42,637,229.84</u>	<u>41,247,192.91</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations			
(Within "CAPS"):			
Operations (Including Contingent)		11,378,621.01	9,891,658.00
Deferred Charges and Statutory Expenditures		-	1,295,292.00
Budget (Excluded from "CAPS"):			
Operations (Including Contingent)		1,131,585.39	1,057,825.17
Capital Improvements		275,000.00	173,700.00
Municipal Debt Service		<u>2,044,120.29</u>	<u>1,966,590.96</u>
	A-3	14,829,326.69	14,385,066.13
Refund of Prior Years Taxes	A-4	43,250.95	
Municipal Open Space Taxes	A-2a	362,688.23	360,218.25
County Taxes	A-16	7,300,987.16	7,101,928.67
Local School District Tax	A-17	11,482,040.00	11,019,050.00
Regional High School Tax	A-18	7,374,104.00	6,692,710.00
Prior Year Posting Error	A-19	810.26	
Interfunds Advanced	A-19	<u>4,416.64</u>	
Total Expenditures		<u>41,397,623.93</u>	<u>39,558,973.05</u>
Excess in Revenue		1,239,605.91	1,688,219.86
<u>Fund Balance</u>			
Balance January 1	A	<u>4,165,908.96</u>	<u>3,402,689.10</u>
		5,405,514.87	5,090,908.96
Decreased by:			
Utilized as Anticipated Revenue	Above	<u>1,025,000.00</u>	<u>925,000.00</u>
Balance December 31	A	<u>\$ 4,380,514.87</u>	<u>\$ 4,165,908.96</u>

See accompanying notes to financial statements.

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF REVENUE - REGULATORY BASIS

A-2

	<u>Ref.</u>	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>		
Fund Balance Anticipated	A-1	\$ 1,025,000.00	\$	\$ 1,025,000.00	\$
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-8	12,000.00		18,000.00	6,000.00
Other	A-2a	18,000.00		26,508.00	8,508.00
Fees and Permits	A-2a	205,000.00		223,173.44	18,173.44
Fines and Costs:					
Municipal Court	A-8	184,000.00		179,037.97	(4,962.03)
Interest and Costs on Taxes	A-8	100,000.00		82,972.51	(17,027.49)
Interest on Investments and Deposits	A-8	50,000.00		159,141.22	109,141.22
Sewer Rents	A-8	1,250,000.00		1,318,384.05	68,384.05
Energy Receipts Tax	A-8	700,092.00		700,092.00	
Uniform Construction Code Fees	A-8	200,000.00		267,290.00	67,290.00
Uniform Fire Safety Act	A-8	25,000.00		34,505.66	9,505.66
Bulk Pick Up Fees	A-8	10,000.00		12,480.00	2,480.00
Open Space Trust Fund Debt Payment	A-8	365,000.00		365,000.00	
Shared Court Reimbursement	A-8	50,000.00		91,293.50	41,293.50
Alcohol Education and Rehabilitation Fund	A-9		2,009.37	2,009.37	
Safe and Secure Communities Program	A-9	60,000.00		60,000.00	
Clean Communities Program	A-9		15,829.63	15,829.63	
Recycling Tonnage Grant	A-9	26,254.39		26,254.39	
Body Armor Replacement Fund	A-9		6,248.00	6,248.00	
Somerset County Block Grant	A-9		1,000.00	1,000.00	
Somerset County Youth Services/Athletic Grants	A-9		5,000.00	5,000.00	
	A-1	3,255,346.39	30,087.00	3,594,219.74	308,786.35
Receipts from Delinquent Taxes	A-1,7	140,000.00		140,550.30	550.30
		<u>3,395,346.39</u>	<u>30,087.00</u>	<u>3,734,770.04</u>	<u>309,336.65</u>
Amount to be Raised by Taxation:					
Local Taxes for Municipal Purposes (Budget)	A-7	10,915,653.61		11,314,481.23	398,827.62
	A-2a	10,915,653.61		11,314,481.23	398,827.62
Total Budget Revenue		15,336,000.00	30,087.00	16,074,251.27	708,164.27
Nonbudget Revenue	A-1,2a			248,099.67	248,099.67
		<u>\$ 15,336,000.00</u>	<u>\$ 30,087.00</u>	<u>\$ 16,322,350.94</u>	<u>\$ 956,263.94</u>
<u>Reference</u>		<u>A-3</u>	<u>A-3</u>		

See accompanying notes to financial statements.



BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF REVENUE (Continued)  
ANALYSIS OF REALIZED REVENUE - REGULATORY BASIS

A-2a

	<u>Ref.</u>	
<u>Allocation of Current Tax Collections</u>		
Collected on a Cash Basis	A-1,7	<u>\$ 37,319,300.62</u>
Allocated to:		
Local School District Tax	A-17	\$11,482,040.00
Regional High School Tax	A-18	7,374,104.00
County Taxes	A-16	7,300,987.16
Municipal Open Space Tax	A-1,19	<u>362,688.23</u>
Balance for Support of Municipal Budget Appropriations		10,799,481.23
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>515,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,314,481.23</u>
Licenses:		
Clerk	A-8	\$ 8,140.00
Board of Health	A-8	18,245.00
Registrar of Vital Statistics	A-8	<u>123.00</u>
	A-2	<u>\$ 26,508.00</u>
Fees and Permits:		
Clerk	A-8	\$ 220.00
Board of Health	A-8	965.00
Board of Adjustment	A-8	14,113.00
Engineering	A-8	9,650.00
Fire Prevention	A-8	7,839.00
Planning Board	A-8	800.00
Finance	A-8	99,445.34
Recreation	A-8	60,960.00
Police Department	A-8	4,224.10
Public Works	A-8	125.00
Registrar of Vital Statistics	A-8	19,520.00
Miscellaneous	A-8	5,288.00
Tax Collector	A-8	<u>24.00</u>
	A-2	<u>\$ 223,173.44</u>
<u>Analysis of Nonbudget Revenue</u>		
Miscellaneous Revenue Not Anticipated:		
Administration Reimbursement Senior Citizen and Veteran Deductions		\$ 515.00
Cable TV Franchise Fee		99,578.57
Police Private Duty Administrative Fee		91,220.76
Maps		8.00
Bad Checks		60.00
Bid Specs		1,300.00
Police Property Room		41.00
Prior Year Budget Refunds		25,266.37
Property Owner List		340.00
Sale of Borough Property		1,704.40
Tax Collector - Miscellaneous		1,813.12
Xerox Copies - Clerk's Office		84.81
Miscellaneous		<u>26,167.64</u>
	A-2,4	<u>\$ 248,099.67</u>

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3  
Sheet #1

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
APPROPRIATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive:						
Salaries and Wages	\$ 265,000.00	\$ 265,000.00	\$ 264,376.33	\$	\$ 623.67	\$
Other Expenses	29,000.00	29,000.00	28,443.17	34.94	521.89	
Mayor and Council:						
Salaries and Wages	24,000.00	24,000.00	23,000.00		1,000.00	
Other Expenses	59,850.00	59,850.00	31,749.50	1,565.00	26,535.50	
Municipal Clerk:						
Salaries and Wages	100,100.00	100,100.00	100,041.72		58.28	
Other Expenses	27,200.00	27,200.00	26,043.94	536.92	619.14	
Elections:						
Other Expenses	2,956.00	2,956.00	2,940.03		15.97	
Financial Administration:						
Salaries and Wages	170,800.00	170,800.00	170,609.23		190.77	
Other Expenses	28,100.00	28,100.00	28,088.09		11.91	
Annual Audit	40,000.00	40,000.00	40,000.00		-	
Assessment of Taxes:						
Salaries and Wages	72,000.00	72,000.00	67,184.88		4,815.12	
Other Expenses	32,000.00	32,000.00	27,164.53	1,400.00	3,435.47	
Collection of Taxes:						
Salaries and Wages	64,000.00	64,000.00	62,176.06		1,823.94	
Other Expenses	24,500.00	24,500.00	24,498.08		1.92	
Legal Services and Costs:						
Other Expenses:	200,000.00	200,000.00	184,736.78		15,263.22	
Engineering Services and Costs:						
Salaries and Wages	133,000.00	133,000.00	132,931.34		68.66	
Other Expenses	122,250.00	122,250.00	110,498.80	1,400.00	10,351.20	
Public Building and Grounds:						
Salaries and Wages	85,000.00	85,000.00	85,000.00		-	
Other Expenses	131,000.00	131,000.00	90,104.85	250.00	40,645.15	
Bulk Clean Up	12,000.00	12,000.00	9,593.31	2,250.00	156.69	
Planning Board:						
Salaries and Wages	8,000.00	8,000.00	7,992.75	-	7.25	-
Other Expenses	32,000.00	32,000.00	17,343.67	700.00	13,956.33	
Board of Adjustment:						
Salaries and Wages	8,000.00	8,000.00	7,955.50		44.50	
Other Expenses	19,000.00	19,000.00	18,811.92	49.47	138.61	
	1,689,756.00	1,689,756.00	1,561,284.48	8,186.33	120,285.19	

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3  
Sheet #2

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>INSURANCE</u>						
Group Insurance for Employees	\$ 1,885,000.00	\$ 1,885,000.00	\$ 1,394,079.17	\$	\$ 490,920.83	\$
Workers Compensation	162,000.00	162,000.00	91,000.00	71,000.00		
Other Insurance Premiums	160,000.00	160,000.00	159,748.00		252.00	
Health Insurance Waiver	30,000.00	30,000.00	29,994.19		5.81	
	<u>2,237,000.00</u>	<u>2,237,000.00</u>	<u>1,674,821.36</u>	<u>71,000.00</u>	<u>491,178.64</u>	
<u>PUBLIC SAFETY</u>						
Fire:						
Other Expenses	125,000.00	125,000.00	59,675.55	63,894.97	1,429.48	
Fire Official:						
Salaries and Wages	41,000.00	41,000.00	25,701.43		15,298.57	
Other Expenses	2,850.00	2,850.00	2,630.50	126.99	92.51	
Police:						
Salaries and Wages	3,625,000.00	3,625,000.00	3,617,795.19		7,204.81	
Other Expenses	328,421.00	328,421.00	172,348.82	135,451.19	20,620.99	
First Aid Organization Contributions	28,000.00	28,000.00	28,000.00			
Emergency Management Service:						
Salaries and Wages	6,000.00	6,000.00	3,000.00		3,000.00	
Other Expenses	8,300.00	8,300.00	2,311.68	777.90	5,210.42	
Public Defender:						
Salaries and Wages	100.00	100.00			100.00	
Municipal Court:						
Salaries and Wages	65,000.00	65,000.00	61,083.26		3,916.74	
Other Expenses	56,000.00	56,000.00	34,236.53		21,763.47	
Audit Services	5,000.00	5,000.00	3,850.00		1,150.00	
Streets and Roads:						
Salaries and Wages	323,000.00	323,000.00	322,286.71		713.29	
Other Expenses	271,500.00	271,500.00	193,419.37	68,086.29	9,994.34	
	<u>4,885,171.00</u>	<u>4,885,171.00</u>	<u>4,526,339.04</u>	<u>268,337.34</u>	<u>90,494.62</u>	

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3  
Sheet #3

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Salaries and Wages	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$	\$	\$
Dog Regulation:						
Other Expenses	17,900.00	17,900.00	15,041.00		2,859.00	
Sewer System:						
Salaries and Wages	73,000.00	73,000.00	73,000.00			
Other Expenses	56,000.00	56,000.00	35,754.02		20,245.98	
Condo Act Reimbursement:						
Other Expenses	11,000.00	11,000.00	7,280.91		3,719.09	
	<u>162,900.00</u>	<u>162,900.00</u>	<u>136,075.93</u>		<u>26,824.07</u>	
<u>RECREATION AND EDUCATION</u>						
Recreation:						
Salaries and Wages	40,000.00	40,000.00	39,995.99		4.01	
Other Expenses	57,960.00	57,960.00	50,613.43	1,425.62	5,920.95	
Traffic and Beautification:						
Other Expenses	2,500.00	2,500.00	1,966.93		533.07	
Environmental Commission:						
Other Expenses	1,050.00	1,050.00	432.98	566.24	50.78	
Historical Preservation:						
Other Expenses	10,900.00	10,900.00	3,201.12	6,300.00	1,398.88	
Free Public Library:						
Salaries and Wages	18,000.00	18,000.00	18,000.00			
Other Expenses	25,000.00	25,000.00	22,126.30		2,873.70	
	<u>155,410.00</u>	<u>155,410.00</u>	<u>136,336.75</u>	<u>8,291.86</u>	<u>10,781.39</u>	
<u>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES</u>						
Construction Code Officials:						
Salaries and Wages	148,000.00	148,000.00	148,000.00			
Other Expenses	20,000.00	20,000.00	19,802.58		197.42	
Plumbing Inspector:						
Salaries and Wages	18,000.00	18,000.00	18,000.00			
Electrical Inspector:						
Salaries and Wages	23,500.00	23,500.00	23,485.93		14.07	
Fire Sub-Code Inspector:						
Salaries and Wages	20,500.00	20,500.00	20,487.47		12.53	
	<u>230,000.00</u>	<u>230,000.00</u>	<u>229,775.98</u>		<u>224.02</u>	

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3  
Sheet #4

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>UNCLASSIFIED</u>						
Utilities:						
Electricity	\$ 126,000.00	\$ 126,000.00	\$ 64,524.00	\$	\$ 61,476.00	\$
Telephone	87,000.00	87,000.00	83,866.38		3,133.62	
Water	18,000.00	18,000.00	12,162.00		5,838.00	
Natural Gas	40,000.00	40,000.00	32,797.56	2,342.69	4,859.75	
Fire Hydrant Services	248,000.00	248,000.00	189,515.47		58,484.53	
Gasoline	90,000.00	90,000.00	76,562.60		13,437.40	
Street Lighting	83,000.00	83,000.00	77,190.92		5,809.08	
Salary and Wage Adjustment Account	100.00	100.00			100.00	
	<u>692,100.00</u>	<u>692,100.00</u>	<u>536,618.93</u>	<u>2,342.69</u>	<u>153,138.38</u>	
Total Operations	<u>10,052,337.00</u>	<u>10,052,337.00</u>	<u>8,801,252.47</u>	<u>358,158.22</u>	<u>892,926.31</u>	
Detail:						
Salaries and Wages	5,336,100.00	5,336,100.00	5,297,103.79		38,996.21	
Other Expenses	<u>4,716,237.00</u>	<u>4,716,237.00</u>	<u>3,504,148.68</u>	<u>358,158.22</u>	<u>853,930.10</u>	
<u>STATUTORY EXPENDITURES</u>						
Contributions to:						
Social Security System (OAS.I.)	219,314.01	219,314.01	212,259.57		7,054.44	
Police and Firemen's Retirement System of N.J.	890,605.00	890,605.00	890,605.00			
Public Employees' Retirement System	214,365.00	214,365.00	214,365.00			
Defined Contribution Retirement Plan (DCRP)	2,000.00	2,000.00	195.86		1,804.14	
	<u>1,326,284.01</u>	<u>1,326,284.01</u>	<u>1,317,425.43</u>		<u>8,858.58</u>	
Total Appropriations Within "CAPS"	<u>11,378,621.01</u>	<u>11,378,621.01</u>	<u>10,118,677.90</u>	<u>358,158.22</u>	<u>901,784.89</u>	

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3  
Sheet #5

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
Municipal Alliance Contribution - Match	\$ 1,500.00	\$ 1,500.00	\$	\$	\$ 1,500.00	\$
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>						
Sewer Interlocal Agreements:						
Other Expenses	750,000.00	750,000.00	740,730.27		9,269.73	
Somerset County Interlocal Agreements:						
Recycling	30,000.00	30,000.00	30,000.00			
Board of Health:						
Other Expenses	103,744.00	103,744.00	103,425.28	147.00	171.72	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Safe and Secure Communities Program:						
State Share	60,000.00	60,000.00	60,000.00			
Local Share	130,000.00	130,000.00	130,000.00			
Recycling Tonnage Grant	26,254.39	26,254.39	26,254.39			
Clean Communities Program (40A:4-87)	15,829.63	15,829.63	15,829.63			
Alcohol Education Rehabilitation (40A:4-87)	2,009.37	2,009.37	2,009.37			
Body Armor (40A:4-87)	6,248.00	6,248.00	6,248.00			
Somerset County Historic Grant (40A:4-87)	1,000.00	1,000.00	1,000.00			
Somerset Youth Services Grant (40A:4-87)	5,000.00	5,000.00	5,000.00			
	<u>1,131,585.39</u>	<u>1,131,585.39</u>	<u>1,120,496.94</u>	<u>147.00</u>	<u>10,941.45</u>	
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	260,000.00	260,000.00	260,000.00			
Building and Ground Improvements	15,000.00	15,000.00	10,082.72	4,917.28		
	<u>275,000.00</u>	<u>275,000.00</u>	<u>270,082.72</u>	<u>4,917.28</u>		
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM"CAPS"</u>						
Payment of Bond Principal	1,300,000.00	1,300,000.00	1,300,000.00			
Payment of Notes	25,000.00	25,000.00	25,000.00			
Interest on Bonds	465,000.00	465,000.00	464,612.50			387.50
Interest on Notes	63,942.60	63,942.60	63,942.60			
Best Lake Loan (Principal and Interest)	46,638.00	46,638.00	46,637.39			0.61
NJEIT Loan (Principal and Interest)	115,000.00	115,000.00	93,627.80			21,372.20
	<u>2,015,580.60</u>	<u>2,015,580.60</u>	<u>1,993,820.29</u>			<u>21,760.31</u>

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3  
Sheet #6

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>DEFERRED CHARGES</u>						
\$50,300 from Deferred Charges and \$25,000 from Payment of Notes/Municipal Debt Service (Above)	\$ 50,300.00	\$ 50,300.00	\$ 50,300.00	\$ -	\$ -	\$ -
Total Appropriations Excluded from "CAPS"	3,472,465.99	3,472,465.99	3,434,699.95	5,064.28	10,941.45	21,760.31
Sub-Total	14,851,087.00	14,851,087.00	13,553,377.85	363,222.50	912,726.34	21,760.31
Reserve for Uncollected Taxes	515,000.00	515,000.00	515,000.00	-	-	-
Total Appropriations	<u>\$ 15,366,087.00</u>	<u>\$ 15,366,087.00</u>	<u>\$ 14,068,377.85</u>	<u>\$ 363,222.50</u>	<u>\$ 912,726.34</u>	<u>\$ 21,760.31</u>
Reference		<u>Below</u>	<u>Below</u>	<u>A</u>	<u>A</u>	<u>Below</u>
	<u>Ref.</u>					
Adopted Budget	A-2	\$ 15,336,000.00	\$			
Added by N.J.S. 40A:4-87	A-2	30,087.00				
Reserve for Uncollected Taxes	A-2a	(515,000.00)	515,000.00			
Cancelled	Above	(21,760.31)				
Cash Disbursements	A-4		13,307,036.46			
Interfunds	A-19		130,000.00			
Reserve for Federal and State Grants	A-24		116,341.39			
		<u>\$ 14,829,326.69</u>	<u>\$ 14,068,377.85</u>			
	<u>Reference</u>	<u>A-1</u>	<u>Above</u>			

See accompanying notes to financial statements.

BOROUGH OF WATCHUNG  
TRUST FUNDS

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

B

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
<u>Assessment Fund</u>			
Cash	B-4,5	\$ 690,724.02	\$ 675,552.14
Assessments Receivable	B-7	964,269.55	1,093,872.44
Due Current Fund	B-6	71,486.74	17,799.20
		<u>1,726,480.31</u>	<u>1,787,223.78</u>
<u>Animal Control Fund</u>			
Cash	B-4	<u>4,521.60</u>	<u>4,964.40</u>
<u>Trust Other Fund</u>			
Cash	B-4	<u>3,196,545.75</u>	<u>2,882,444.68</u>
		<u>\$ 4,927,547.66</u>	<u>\$ 4,674,632.86</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Assessment Fund</u>			
New Jersey Environmental Infrastructure			
Trust Loan Payable:			
Trust Loan	B-8	\$ 157,500.00	\$ 200,000.00
Fund Loan	B-9	322,101.90	345,352.06
Interfunds Payable	B-6	1,184,478.70	1,184,478.70
Reserve for Assessments	B-10	15,500.28	11,208.84
Fund Balance	B-1	<u>46,899.43</u>	<u>46,184.18</u>
		<u>1,726,480.31</u>	<u>1,787,223.78</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Trust Fund	B-11	4,108.20	4,551.00
Due to Current Fund	B-6	<u>413.40</u>	<u>413.40</u>
		<u>4,521.60</u>	<u>4,964.40</u>
<u>Trust Other Fund</u>			
Due to Current Fund	B-6	5,720.98	1,304.34
Reserve for:			
Open Space Trust	B-13	37,315.77	38,994.62
Developers' Deposits	B-14	882,388.43	1,092,905.33
State Unemployment Compensation			
Insurance Fund	B-15	96,755.66	92,335.58
Various Reserves	B-16	567,990.60	496,607.25
Payroll Deductions Payable	B-17	4,792.76	388.42
Recreation Reserves	B-18	7,250.72	17,691.72
Affordable Housing Reserves	B-19	1,386,853.20	1,059,768.52
Law Enforcement Trust Fund	B-20	11,138.10	9,725.72
Law Enforcement Trust Fund - Federal	B-21	2,297.53	2,297.53
Police Outside Overtime	B-22	<u>194,042.00</u>	<u>70,425.65</u>
		<u>3,196,545.75</u>	<u>2,882,444.68</u>
		<u>\$ 4,927,547.66</u>	<u>\$ 4,674,632.86</u>

See accompanying notes to financial statements.



BOROUGH OF WATCHUNG  
TRUST FUNDS

STATEMENT OF FUND BALANCE -  
ASSESSMENT TRUST FUND - REGULATORY BASIS

B-1

	<u>Ref.</u>	
Balance December 31, 2018	B	\$46,184.18
Increased by:		
Collection of Unpledged Assessments	B-10	<u>715.25</u>
Balance December 31, 2019	B	<u>\$46,899.43</u>

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See accompanying notes to financial statements.

BOROUGH OF WATCHUNG  
TRUST FUNDS

STATEMENT OF REVENUE  
ASSESSMENT TRUST FUND - REGULATORY BASIS

B-2

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Assessment Cash	B-3	<u>\$65,750.18</u>	<u>\$65,750.16</u>	<u>\$ (0.02)</u>

STATEMENT OF EXPENDITURES  
ASSESSMENT TRUST FUND - REGULATORY BASIS

B-3

	<u>Ref.</u>	<u>Budget</u>	<u>Expended</u>	<u>Cancelled</u>
Payment of Bond Principal	B-2	<u>\$65,750.18</u>	<u>\$65,750.16</u>	<u>\$ 0.02</u>

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See accompanying notes to financial statements.

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

C

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2019</u>	Balance <u>Dec. 31, 2018</u>
Cash	C-2	\$ 2,091,041.79	\$ 1,260,037.82
Due Current Fund	C-4	4,805.46	2,541.66
Due Assessment Trust Fund	C-4	1,184,478.70	1,184,478.70
Deferred Charges to Future Taxation:			
Funded	C-5	15,218,073.96	16,675,389.43
Unfunded	C-6	5,151,950.00	3,981,750.00
State Aid Receivable	C-9	524,855.22	698,855.22
Unconfirmed Assessment Receivable	C-15	19,242.30	
		<u>\$24,194,447.43</u>	<u>\$23,803,052.83</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Improvement Fund	C-7	\$ 419,866.72	\$ 285,366.72
Improvement Authorizations:			
Funded	C-8	1,369,043.02	1,000,977.34
Unfunded	C-8	1,720,608.07	1,180,232.79
General Serial Bonds	C-10	14,310,000.00	15,610,000.00
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-11	164,231.73	250,000.00
Environmental Infrastructure Fund Loans	C-12	342,154.16	375,669.16
Green Trust Loan Program	C-13	401,688.07	439,720.27
Bond Anticipation Notes Payable	C-14	5,151,000.00	2,698,000.00
Reserve:			
Grants Receivable	C-16	50,000.00	50,000.00
Capital Projects	C-17	27,942.00	27,942.00
Payment of Debt Service	C-18	45,849.05	
Unconfirmed Assessments Receivable	C-19	19,242.30	
Contracts Payable	C-20		1,714,586.04
Fund Balance	C-1	172,822.31	170,558.51
		<u>\$24,194,447.43</u>	<u>\$23,803,052.83</u>
 Bonds and Notes Authorized but Not Issued	 C-21	 \$ 950.00	 \$ 1,283,750.00

See accompanying notes to financial statements.

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

C-1

	<u>Ref.</u>	
Balance December 31, 2018	C	\$170,558.51
Increased by:		
Interfund with Current to Correct Error	C-4	<u>2,263.80</u>
Balance December 31, 2019	C	<u><u>\$172,822.31</u></u>

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See accompanying notes to financial statements.

***NOTES TO FINANCIAL STATEMENTS***

## BOROUGH OF WATCHUNG

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

The Borough of Watchung is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Watchung include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Watchung, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Watchung do not include the operations of the regional and local boards of education, inasmuch as their activities are administered by separate boards.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government.

##### B. Measurement Focus, Basis of Accounting and Basis of Presentation

###### Description of Funds

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental accounting and financial reporting principles. The GASB establishes three fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The accounting policies of the Borough of Watchung conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These principles are a "Modified Accrual Basis of Accounting" which differs from accounting principles generally accepted in the United States of America (GAAP) for governmental entities. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Watchung accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

**Current Fund** - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State grant programs are reflected in a segregated section of the Current Fund.

**Trust Funds** - The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the Animal Control Trust Fund, General Trust Fund, Community Development Block Grant Trust Fund and Municipal Open Space Trust Fund.

**General Capital Fund** - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as, related long-term debt accounts.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Description of Funds (Continued)**

**Public Assistance Trust Fund** - Receipts and disbursements of funds that provide assistance to certain residents of the Borough of Watchung pursuant to the provisions of Title 44 of the New Jersey statutes are maintained in the Public Assistance Trust Fund.

**Capital Fixed Assets Account** - This account reflects estimated valuations of land, buildings and certain movable fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

**Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from accounting principles generally accepted in the United States of America. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey are summarized as follows:

**Property Taxes and Other Revenue**

Property taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**Grant Revenue**

Federal and State grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough of Watchung budget. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

**Expenditures**

Expenditures for general and utility operations are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts which may have been cancelled by the governing body or by statutory regulation, are automatically recorded as liabilities at December 31<sup>st</sup> of each year, under the title of "Appropriation Reserves".

Grant appropriations are charged upon budget adoption to create spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

Budget appropriations for interest on General Capital Long-Term Debt is raised on the cash basis and is not accrued on the records; interest on Utility Debt is raised on the accrual basis and so recorded.

GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Basis of Accounting (Continued)**

**Encumbrances**

As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that contractual orders outstanding at December 31st are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

**Foreclosed Property** - 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 Assets Account Group at its market value.

**Sale of Municipal Assets** - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

**Appropriation Reserves**

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

**Compensated Absences**

Expenditures relating to obligations for unused vested accumulated sick, vacation and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

**Property Acquired for Taxes**

Property Acquired for Taxes (Foreclosed Property) is recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the general fixed assets account group at market value on the date of acquisition.

**Self-Insurance Contributions**

Contributions to self-insurance funds are charged to budget appropriations. GAAP requires that payments be accounted for as an operating transfer and not as an expenditure.

**Interfunds Receivable**

Interfunds Receivable in the Current Fund are generally recorded with offsetting reserves which are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfunds Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfunds Receivable of one fund are offset with Interfunds Payable of the opposite fund. GAAP does not require the establishment of an offsetting reserve.



1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

B. ***Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)***

***Basis of Accounting (Continued)***

***Inventories of Supplies***

Materials and supplies purchased by all funds are recorded as expenditures.

An annual inventory of materials and supplies for the Water Utility is required, by regulation, to be prepared by Borough personnel for inclusion on the Water Utility Operating Fund balance sheet. Annual changes in valuations, offset with a Reserve Account, are not considered as affecting results of operations. Materials and supplies of other funds are not inventoried nor included on their respective balance sheets.

***Capital Fixed Assets***

General:

In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from GAAP, the Borough of Watchung has developed a fixed asset accounting and reporting system.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the Capital Fixed Assets. 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.

Acquisitions of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record.

Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established fixed assets are valued at cost.

Depreciation of assets is not recorded as an operating expense of the Borough.

The Fixed Capital Accounts reflected herein are as recorded in the records of the municipality and do not necessarily reflect the true condition of such Fixed Capital. The records consist of a control account only. Detailed records are not maintained.

C. ***Basic Financial Statements***

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough of Watchung presents the financial statements listed in the table of contents which are required by the Division of Local Government Services 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.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Recent Accounting Pronouncements Not Yet Effective**

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, "Leases". The object of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract and is effective for reporting periods beginning after December 15, 2019. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2019, the Governmental Accounting Standards Board issued GASB Statement No. 91, "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In January 2020, the Governmental Accounting Standards Board issued GASB Statement No. 92, "Omnibus 2020". The primary objective of this Statement is 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 adoption of certain GASB statements and is effective for reporting periods beginning after June 15, 2020. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In March 2020, the Governmental Accounting Standards Board issued GASB Statement No. 93, "Replacement of Interbank Offered Rates". The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR) and is effective for reporting periods beginning after June 15, 2020. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

## **2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

### **A. Cash and Cash Equivalents**

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 any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund Investments is generally not required.

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in the Municipal Bond Insurance Association (MBIA) through their investment management company, the Municipal Investors Service Corporation.

## **2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

### **A. Cash and Cash Equivalents (Continued)**

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of 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.

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 \$25,000,000.00.

The Borough considers petty cash, change funds and cash in banks as cash and cash equivalents.

The Borough of Watchung has the following cash and cash equivalents at December 31, 2019:

Investors Bank - Checking Accounts	<u>\$ 12,633,155.81</u>
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*Custodial Credit Risk* - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute, which requires cash be deposited only in New Jersey based bank institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Borough in excess of FDIC insured amounts are protected by GUDPA. As of December 31, 2019, of the cash balance in the bank, \$1,805,507.98 was covered by Federal Depository Insurance and \$10,827,647.83 was covered under the provisions of NJGUDPA.

*Interest Rate Risk* - This is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The Borough's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2019, the Borough had funds on deposit in checking accounts. The amount on deposit of the Borough's Cash and Cash Equivalents as of December 31, 2019 was \$13,000,627.72. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40. There were no securities categorized as investments as defined by GASB Statement No. 40.

### **B. Investments**

New Jersey P.L. 2017, c. 310 permits the Borough to purchase various investments in accordance with the Borough's Cash Management Plan.

## **3. TAXES AND TAX TITLE LIENS RECEIVABLE**

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Borough, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the board upon the filing of these budgets.

### 3. TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and are calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy is based on one-half of the current year's total tax.

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The resolution also sets a grace period of ten days before interest is calculated. In addition, any delinquency in excess of \$10,000.00 at the end of the calendar year is subject to a 6% penalty on the unpaid balance.

Taxes unpaid on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes become in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

The following is a five year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years:

#### Comparative Schedule of Tax Rates

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>\$2.075</u>	<u>\$1.991</u>	<u>\$1.979</u>	<u>\$2.091</u>	<u>\$2.118</u>
Apportionment of Tax Rate:					
Municipal	\$0.605	\$0.590	\$0.586	\$0.574	\$0.568
Municipal Open Space	0.020	0.020	0.020	0.020	0.020
County	0.325	0.318	0.321	0.320	0.323
County Open Space	0.031	0.031	0.031	0.031	0.031
School	1.046	0.984	0.973	1.098	1.128
Library	0.048	0.048	0.048	0.048	0.048

#### Assessed Valuation

<u>Year</u>	<u>Amount</u>
2019	\$1,801,787,004.00
2018	1,797,883,724.00
2017	1,756,744,661.00
2016	1,724,988,537.00
2015	1,666,087,434.00

#### Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2019	\$ 41,869,930.43	\$ 41,245,776.08	98.51 %
2018	35,859,716.92	35,704,783.55	99.57
2017	34,864,000.68	34,644,208.04	99.37
2016	36,161,574.40	35,985,663.65	99.51
2015	35,386,367.26	35,092,951.60	99.17

### 3. TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)

#### Delinquent Taxes and Tax Liens

<u>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>
2019	\$ -	\$592,501.45	\$592,501.45	1.42 %
2018		140,578.17	140,578.17	0.39
2017	1,813.71	191,558.30	193,372.01	0.55
2016	12,713.09	167,697.69	180,410.78	0.50
2015	4,513.06	290,253.98	294,767.04	0.83

#### Fund Balances Appropriated

	<u>Year</u>	<u>Balance December 31,</u>	<u>Budgets of Succeeding Year</u>
Current Fund	2019	\$ 4,380,514.87	\$ 1,070,000.00
	2018	4,165,908.96	1,025,000.00
	2017	3,402,689.10	925,000.00
	2016	2,901,647.05	825,000.00
	2015	2,445,532.03	800,000.00

### 4. MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. In addition, the Borough has entered into loan agreements with the State of New Jersey. The monies received from these loans are used to finance various improvements to the Borough.

#### 4. MUNICIPAL DEBT (Continued)

##### Summary of Municipal Debt

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 19,461,000.00	\$ 18,308,000.00	\$ 17,875,000.00
Loans Payable	<u>1,387,675.86</u>	<u>1,610,741.49</u>	<u>1,811,059.90</u>
Total Issued	<u>20,848,675.86</u>	<u>19,918,741.49</u>	<u>19,686,059.90</u>
<u>Authorized but Not Issued</u>			
General:			
Bonds and Notes	<u>950.00</u>	<u>1,283,750.00</u>	<u>783,818.00</u>
Total Debt	20,849,625.86	21,202,491.49	20,469,877.90
<u>Deductions</u>			
Reserve to Pay Debt:			
General Capital	<u>45,849.05</u>		
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 20,803,776.81</u>	<u>\$ 21,202,491.49</u>	<u>\$ 20,469,877.90</u>

##### Summary of Statutory Debt Condition Annual Debt Statement As Amended

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 7,210,138.04	\$ 7,210,138.04	\$ -
General Debt	<u>20,849,625.86</u>	<u>45,849.05</u>	<u>20,803,776.81</u>
	<u>\$ 28,059,763.90</u>	<u>\$ 7,255,987.09</u>	<u>\$ 20,803,776.81</u>

Net debt of \$20,803,776.81 divided by equalized valuation basis per N.J.S.A. 40A:2-2, \$1,793,630,929 equals 1.160%.

##### Borrowing Power Under N.J.S.A. 40A:2-6 As Amended

Equalized Valuation Basis - December 31, 2019	<u>\$ 1,793,630,929.33</u>
3 1/2% of Equalized Valuation Basis	\$ 62,777,082.53
Net Debt	<u>20,803,776.81</u>
Remaining Borrowing Power	<u>\$ 41,973,305.72</u>

Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements and the assessed valuation of Class II railroad property of the Borough of Watchung for the last three (3) preceding years.



#### 4. MUNICIPAL DEBT (Continued)

##### Long-Term Debt

###### General Serial Bonds:

\$8,170,000.00 General Obligation Bonds of 2016 due in annual installments of \$315,000.00 to \$630,000.00 through February 2032 at an interest rate of 1.0% to 3.0%. \$ 7,175,000.00

\$8,070,000.00 General Obligation Refunding Bonds of 2017 due in annual installments of \$870,000.00 to \$935,000.00 through August 2027 at an interest rate of 3.0% to 4.0%. 7,135,000.00

\$ 14,310,000.00

###### Green Trust Loans:

\$750,000.00 Dam Restoration Loan due in semi-annual installments of \$17,129.38 to 423,087.82 through January 2029 at an interest rate of 2.00%. \$ 401,688.07

###### New Jersey Environmental Infrastructure Loans:

\$915,000.00 Infrastructure Trust Loan of 2000 due in annual installments of \$55,000.00 to \$75,000.00 through August 2020 at an interest rate of 5.00% to 5.25%. \$ 61,731.73

\$230,000.00 Infrastructure Trust Loan of 2001 due in annual installments of \$15,000.00 through February 2021 at an interest rate of 5.00%. 15,000.00

\$226,237.00 Infrastructure Fund Loan of 2001 due in annual installments of \$10,026.15 to \$13,367.97 through February 2021 at an interest rate of 0.00%. 20,052.12

\$300,000.00 Infrastructure Trust Loan of 2014 due in annual installments of \$10,000.00 to \$20,000.00 through August 2033 at an interest rate of 0.00%. 245,000.00

\$907,706.00 Infrastructure Fund Loan of 2014 due in annual installments of \$31,000.23 to \$46,500.34 through August 2033 at an interest rate of 0.00%. 644,204.07

\$ 985,987.92

#### 4. MUNICIPAL DEBT (Continued)

##### Bonds and Notes Authorized but Not Issued

At December 31, 2019, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund \$ 1,948,975.00

##### Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding December 31, 2019

Calendar Year	General		Total
	Principal	Interest	
2020	\$ 1,345,000.00	\$ 432,081.25	\$ 1,777,081.25
2021	1,355,000.00	398,450.00	1,753,450.00
2022	1,375,000.00	354,125.00	1,729,125.00
2023	1,375,000.00	308,575.00	1,683,575.00
2024	1,400,000.00	262,875.00	1,662,875.00
2025	1,415,000.00	216,825.00	1,631,825.00
2026	1,440,000.00	170,625.00	1,610,625.00
2027	1,455,000.00	124,125.00	1,579,125.00
2028	630,000.00	77,175.00	707,175.00
2029	630,000.00	63,787.50	693,787.50
2030	630,000.00	47,250.00	677,250.00
2031	630,000.00	28,350.00	658,350.00
2032	630,000.00	9,450.00	639,450.00
	<u>\$ 14,310,000.00</u>	<u>\$ 2,493,693.75</u>	<u>\$ 16,803,693.75</u>

##### Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loans Payable - Watchung Lake Development and Dam Restoration

Calendar Year	Principal	Interest	Total
2020	\$ 38,796.65	\$ 8,605.19	\$ 47,401.84
2021	39,576.46	7,840.74	47,417.20
2022	40,371.95	7,060.93	47,432.88
2023	41,183.43	6,265.44	47,448.87
2024	42,011.21	5,453.97	47,465.18
2025	42,855.63	4,626.18	47,481.81
2026	43,717.04	3,781.75	47,498.79
2027	44,595.75	2,920.36	47,516.11
2028	45,492.13	2,041.65	47,533.78
2029	23,087.82	1,145.27	24,233.09
	<u>\$ 401,688.07</u>	<u>\$ 49,741.48</u>	<u>\$ 451,429.55</u>

##### Schedule of Annual Debt Service for Principal and Interest for Environmental Infrastructure Loan Payable - 2000 Infrastructure Trust Loan

Calendar Year	General Capital Fund		Assessment Trust Fund		Total
	Principal	Interest	Principal	Interest	
2020	<u>\$ 26,731.73</u>	<u>\$ 1,233.26</u>	<u>\$ 35,000.00</u>	<u>\$ 1,837.50</u>	<u>\$ 64,802.49</u>



4. **MUNICIPAL DEBT (Continued)**

**Schedule of Annual Debt Service for Principal and Interest for Environmental Infrastructure Loan Payable - 2001 Infrastructure Trust Loan**

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,000.00	\$ 450.00	\$ 10,450.00
2021	<u>5,000.00</u>	<u>100.00</u>	<u>5,100.00</u>
	<u>\$ 15,000.00</u>	<u>\$ 550.00</u>	<u>\$ 15,550.00</u>

**Schedule of Annual Debt Service for Principal for Environmental Infrastructure Loan Payable - 2000 Infrastructure Trust Loan**

<u>Calendar Year</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 10,264.68	\$ 10,264.68
2021	<u>9,787.44</u>	<u>9,787.44</u>
	<u>\$ 20,052.12</u>	<u>\$ 20,052.12</u>

**Schedule of Annual Debt Service for Principal and Interest for Environmental Infrastructure Loan Payable - 2014 Infrastructure Trust Loan**

<u>Calendar Year</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
	<u>Capital</u>	<u>Assessment</u>		
2020	\$ 7,500.00	\$ 7,500.00	\$ 8,925.00	\$ 23,925.00
2021	7,500.00	7,500.00	8,175.00	23,175.00
2022	7,500.00	7,500.00	7,425.00	22,425.00
2023	7,500.00	7,500.00	6,675.00	21,675.00
2024	7,500.00	7,500.00	5,925.00	20,925.00
2025	7,500.00	7,500.00	5,175.00	20,175.00
2026	7,500.00	7,500.00	4,725.00	19,725.00
2027	10,000.00	10,000.00	4,275.00	24,275.00
2028	10,000.00	10,000.00	3,675.00	23,675.00
2029	10,000.00	10,000.00	3,075.00	23,075.00
2030	10,000.00	10,000.00	2,475.00	22,475.00
2031	10,000.00	10,000.00	1,875.00	21,875.00
2032	10,000.00	10,000.00	1,275.00	21,275.00
2033	<u>10,000.00</u>	<u>10,000.00</u>	<u>650.00</u>	<u>20,650.00</u>
	<u>\$ 122,500.00</u>	<u>\$ 122,500.00</u>	<u>\$ 64,325.00</u>	<u>\$ 309,325.00</u>

#### 4. MUNICIPAL DEBT (Continued)

**Schedule of Annual Debt Service for Principal for Environmental  
Infrastructure Loan Payable - 2014 Infrastructure Fund Loan**

<u>Calendar Year</u>	<u>Principal</u>		<u>Total</u>
	<u>Capital</u>	<u>Assessment</u>	
2020	\$ 23,250.17	\$ 23,250.17	\$ 46,500.34
2021	23,250.17	23,250.17	46,500.34
2022	23,250.17	23,250.17	46,500.34
2023	23,250.17	23,250.17	46,500.34
2024	23,250.17	23,250.17	46,500.34
2025	23,250.17	23,250.17	46,500.34
2026	23,250.17	23,250.17	46,500.34
2027	23,250.17	23,250.17	46,500.34
2028	23,250.17	23,250.17	46,500.34
2029	23,250.17	23,250.17	46,500.34
2030	23,250.17	23,250.17	46,500.34
2031	23,250.17	23,250.17	46,500.34
2032	23,250.17	23,250.17	46,500.34
2033	19,849.83	19,849.82	39,699.65
	<u>\$ 322,102.04</u>	<u>\$ 322,102.03</u>	<u>\$ 644,204.07</u>

**Bond Anticipation Notes**

Outstanding Bond Anticipation Notes are summarized as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General Capital Fund	11/01/19	2.37%	\$ 2,623,000.00
	10/30/20	2.25%	2,528,000.00
			<u>\$ 5,151,000.00</u>

Statutory requirements for providing sums equivalent to legally payable installments for the redemption of notes (budget appropriations) and permanent funding (bond issues) are summarized as follows:

<u>Notes Issued</u>	<u>Installments Due</u>	<u>Required as of October 1,</u>
2012	2015 - 2022	2023
2013	2016 - 2023	2024
2014	2017 - 2024	2025
2015	2018 - 2025	2026
2016	2019 - 2026	2027
2017	2020 - 2027	2028
2018	2021 - 2028	2029
2019	2022 - 2029	2030

## 5. PENSION PLANS

### Description of Systems

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System and the Police and Firemen's Retirement System are considered a cost-sharing multiple-employer plan.

The amount of the Borough's contribution is certified each year by PERS and PFRS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Specific information on actuarial assumptions and rates of return can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS the employer contribution includes funding for post-retirement medical premiums.

	<u>PERS</u> <u>2019</u>
Covered Employee Payroll	\$ 1,580,201
Total Payroll	5,328,669
Actuarial Contribution	
Requirements	218,185
Total Contributions	306,306
Employer Share	218,185
% of Covered Payroll	13.81%
Employee's Share	88,121
% of Covered Payroll	5.58%
	 <u>PFRS</u> <u>2019</u>
Covered Employee Payroll	\$ 333,187
Total Payroll	5,328,669
Actuarial Contribution	
Requirements	890,266
Total Contributions	1,223,453
Employer Share	890,266
% of Covered Payroll	29.35%
Employee's Share	333,187
% of Covered Payroll	10.98%

## 5. PENSION PLANS (Continued)

### Description of Systems (Continued)

#### **Assumptions**

The collective total PERS and PFRS pension liability for June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 using an actuarial experience study for the period July 1, 2014 to June 30, 2018 for PERS and for the period July 1, 2013 to June 30, 2018 for PFRS. The pension liability was rolled forward to June 30, 2019. The actuarial valuation used an inflation rate of 2.75% for price and 3.25% for wage, projected salary increases through 2026 of 2.00% to 6.00% for PERS and thereafter 3.00% to 7.00% based on years of service and through all future years 3.25% to 15.25% for PFRS based on years of service and an investment rate of return of 7.00%.

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

For PFRS, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and 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. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 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-2019.

The discount rate used to measure the total pension liability was 6.28% for PERS and 6.85% for PFRS as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers for PERS and that contributions from employers and the nonemployer contributing entity will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers for PFRS. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057 for PERS and 2076 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 for PERS and 2076 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability. More information on mortality rates and other assumptions, and investment policies, can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

## 5. PENSION PLANS (Continued)

### Description of Systems (Continued)

#### **Public Employees' Retirement System:**

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state of local jurisdiction.

### Significant Legislation

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of that system. Provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2013, the member contribution rates increased in July 2013. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, the method for amortizing the pension systems' unfunded accrued liability changed (from a level percent of pay method to a level dollar of pay).

The following presents the Borough's proportionate share of the Collective PERS net pension liability calculated using the discount rate of 6.28% and 5.66% as of June 30, 2019 and 2018, respectively, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

#### **Sensitivity of the Borough's Proportionate Share of the Collective PERS Net Pension Liability to Changes in the Discount Rate**

	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
2019	<u>\$ 5,140,813</u>	<u>\$ 4,041,679</u>	<u>\$ 3,167,311</u>
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
2018	<u>\$ 5,312,199</u>	<u>\$ 4,224,800</u>	<u>\$ 3,312,542</u>

## 5. PENSION PLANS (Continued)

### Significant Legislation (Continued)

#### **Special Funding Situation**

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 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 (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. Below is the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employers:

	<u>2019</u>	<u>2018</u>
Employer Net Pension Liability	\$ 4,041,679.00	\$ 4,224,800.00
Nonemployer Proportional Share of the Net Pension Liability		
	<u>\$ 4,041,679.00</u>	<u>\$ 4,224,800.00</u>

#### ***Police and Firemen's Retirement System:***

The Police and Firemen's Retirement System (PFRS) was established in July, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police and firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service.

Chapter 428, Public Law of 1999, effective January 18, 2000, allows a member, age 55 and older with 20 or more years of service, to retire with a benefit equaling 50% of final compensation, in lieu of the regular retirement allowance available to the member. Final compensation means the compensation received by the member in the last twelve months of creditable service preceding retirement.

In addition, a member of the system as of the effective date of this law may retire with 20 or more years of service with a retirement allowance of 50% of final compensation, regardless of age, and if required to retire because of attaining the mandatory retirement age of 65, an additional 3% of final compensation for every additional year of creditable service up to 25 years.

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which PFRS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.

The following presents the Borough's proportionate share of the Collective PFRS net pension liability calculated using the discount rate of 6.85% and 6.51% as of June 30, 2019 and 2018, respectively, as well as what the PFRS net pension liability would be if it were calculated using a discount rate of one percentage point lower or one percentage point higher than the assumed rate.



## 5. PENSION PLANS (Continued)

### Police and Firemen's Retirement System: (Continued)

#### Sensitivity of the Borough's Proportionate Share of the Collective PFRS Net Pension Liability to Changes in the Discount Rate

	At 1% Decrease (5.85%)	At Current Discount Rate (6.85%)	At 1% Increase (7.85%)
2019	<u>\$ 16,880,537</u>	<u>\$ 12,488,971</u>	<u>\$ 8,854,317</u>
	At 1% Decrease (5.51%)	At Current Discount Rate (6.51%)	At 1% Increase (7.51%)
2018	<u>\$ 16,498,016</u>	<u>\$ 12,326,893</u>	<u>\$ 8,886,476</u>

### Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. Below is the portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employers.

	<u>2019</u>	<u>2018</u>
Employer Net Pension Liability	\$ 10,785,862.00	\$ 12,326,893.00
Nonemployer Proportional Share of the Net Pension Liability	<u>1,703,108.00</u>	<u>1,674,405.00</u>
	<u>\$ 12,488,970.00</u>	<u>\$ 14,001,298.00</u>

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension***

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2019 and 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2019 and 2018, respectively.

5. **PENSION PLANS (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

Following is the total of the Borough's portion of the PERS and PFRS net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and the pension expense and expenditures for the fiscal year ended June 30, 2019:

	<u>PERS</u>	<u>PFRS</u>
Net Pension Liabilities	\$ 4,041,679	\$ 10,785,862
Deferred Outflow of Resources	742,465	685,888
Deferred Inflow of Resources	1,509,421	4,465,619
Pension Expense	38,596	(151,542)
Contributions Made After Measurement Date	218,185	890,266

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the years ended June 30, 2019 and 2018. The Borough's proportionate share of the collective net pension liability as of June 30, 2019 and 2018 was .0224% and .0215% for PERS and .0881% and .0911% for PFRS, respectively.

It is important to note that New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements.

At June 30, 2019, the amount determined as the Borough's proportionate share of the PERS net pension liability was \$4,041,679. For the year ended June 30, 2019, the Borough would have recognized PERS pension expense of \$38,596. At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 72,543	\$ 17,854
Change of Assumptions	403,576	1,402,854
Net Difference Between Projected and Actual Investment Earnings		63,799
Net Change in Proportions	266,346	24,914
Total Contributions and Proportionate Share of Contributions After the Measurement Date	<u>218,185</u>	<u></u>
	<u>\$ 960,650</u>	<u>\$ 1,509,421</u>



## 5. PENSION PLANS (Continued)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

At June 30, 2019, the amount determined as the Borough's proportionate share of the PFRS net pension liability was \$10,785,862. For the year ended June 30, 2019, the Borough would have recognized PFRS pension expense of \$(151,542). At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to the PFRS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 91,047	\$ 68,287
Change of Assumptions	369,582	3,485,892
Net Difference Between Projected and Actual Investment Earnings		146,145
Net Change in Proportions	225,259	765,295
Total Contributions and Proportionate Share of Contributions After the Measurement Date	890,266	
	<u>\$ 1,576,154</u>	<u>\$ 4,465,619</u>

### *Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of 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 the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

## 5. **PENSION PLANS (Continued)**

### **Contributions Required and Made**

Contributions made by employees for PERS and PFRS are currently 7.50% and 10.0% of their base wages, respectively. Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Contributions to the plan for the past three (3) years are as follows:

Year	PERS		PFRS	
	Township	Employees	Township	Employees
2019	\$ 218,185.00	\$ 88,121.00	\$ 890,266.00	\$ 333,187.00

## 6. **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to the pension described in Note 10, the Borough provides postemployment health care benefits as part of the State Health Benefits Local Government Retired Employees Plan.

### **General Information about the OPEB Plan**

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. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. 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 drugs to retirees and their covered dependents of the 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 providing 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.

6. **OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**General Information about the OPEB Plan (Continued)**

Full-time non-union employees of the Borough hired on or before December 31, 2009, who retire under the Public Employees' Retirement System that have completed certain eligibility requirements are eligible to continue participation with the SHBP for medical benefits coverage. Those retired employees that opt to continue under the SHBP are responsible for the monthly premiums and will be reimbursed by the Borough under a premium reimbursement program. This program will reimburse the retiree 60%, 70% or 80% of the insurance premium contingent upon years of service with the New Jersey PERS and consecutive years of full-time service with the Borough. The percentage of insurance reimbursement remains the same during the entire retirement period and does not increase with age. Retiree benefits under this program will cover the employee and any eligible spouse or dependents.

**Total OPEB Liability**

At December 31, 2019, the Borough had a liability of \$10,659,403 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net OPEB liability was based on a projection of the Borough's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers in the plan. At June 30, 2019, the Borough's proportion was .078690% which was a decrease of .009179% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Borough would have recognized OPEB expense of \$(574,125). At December 31, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$	\$ 3,777,455
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	8,780	3,117,225
Changes in Proportion and Differences Between the Township's Contributions and Proportionate Share of Contributions	<u>193,894</u>	<u>3,074,949</u>
Total	<u>\$ 202,674</u>	<u>\$ 9,969,629</u>

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

Year Ended June 30:	
2020	\$ (1,121,491)
2021	(1,121,491)
2022	(1,122,179)
2023	(1,123,292)
2024	(1,124,308)
Thereafter	(1,273,138)

## 6. **OTHER POSTEMPLOYMENT BENEFITS (OPEB) Continued)**

### **Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

### **Actual Assumptions and Other Inputs**

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which 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%
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Public Employees' Retirement System  
(PERS):

Initial Fiscal Year Applied:

Rate Through 2026	2.00% to 6.00%
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Rate Thereafter	3.00% to 7.00%
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Police and Firemen's Retirement System  
(PFRS):

Rate for All Future Years	3.25% to 15.25%
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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.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

### **Health Care 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 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

6. **OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

The following presents the Borough's proportionate share of the net OPEB liability as of June 30, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease <u>2.50%</u>	At Current Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Township's Proportionate Share of Net OPEB Liability	\$ 12,324,981	\$ 10,659,403	\$ 9,305,900
	June 30, 2018		
	1% Decrease <u>2.87%</u>	At Current Discount Rate <u>3.87%</u>	1% Increase <u>4.87%</u>
Township's Proportionate Share of Net OPEB Liability	\$ 16,151,276	\$ 13,766,101	\$ 11,860,886

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the Borough's proportionate share of the net OPEB liability as of June 30, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease <u>          </u>	Healthcare Cost Trend Rate <u>          </u>	1% Increase <u>          </u>
Township's Proportionate Share of Net OPEB Liability	\$ 8,995,223	\$ 10,659,403	\$ 12,782,345
	June 30, 2018		
	1% Decrease <u>          </u>	Healthcare Cost Trend Rate <u>          </u>	1% Increase <u>          </u>
Township's Proportionate Share of Net OPEB Liability	\$ 11,483,135	\$ 13,766,101	\$ 16,720,598

**Special Funding Situation**

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 Borough as of June 30, 2019 had 1 member under the Special Funding Situation. The State proportionate share of the net OPEB liability attributed to the Borough is \$185,333.



## 7. **DEFINED CONTRIBUTION RETIREMENT PROGRAM**

### Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the municipal base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 or employees enrolled in the PFRS after May 21, 2010 who earn salary in excess of established "maximum compensation" limits.
- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

### Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. Contributions to the plan for 2019 are as follows:

<u>Year</u>	<u>Township</u>	<u>Employees</u>
2019	\$ 195.86	\$ 494.32

## 8. INTERFUNDS RECEIVABLE AND PAYABLE

As of December 31, 2019, interfunds receivable and payable that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
Current Fund	\$ 76,292.20	\$ 6,134.38
Animal Control Trust Fund	413.40	
General Trust Fund	4,050.72	
Municipal Open Space Trust Fund	1,670.26	
Assessment Trust Fund	1,184,478.70	71,486.74
General Capital Fund		1,189,284.16
	<u>\$1,266,905.28</u>	<u>\$1,266,905.28</u>

## 9. DEFERRED COMPENSATION PLAN

The Borough of Watchung offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

The "Small Business Job Protective Act of 1996" revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries.

The Administrator for the Borough of Watchung's Deferred Compensation Plan is the Equitable Life Assurance Society of the United States (the "Equitable").

## 10. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## 11. CONTINGENT LIABILITIES

### a. Compensated Absences

The Borough has not permitted non-police department employees to carry over unused vacation days. Under special circumstances, vacation time may be carried over with Mayor and Council approval. After a minimum of five years of service with the Borough, an employee, upon separation from service with the Borough, will receive pay based upon unused accumulated sick leave, up to a maximum of 120 days of such credit. Payment shall be made in accordance with the following schedule:

Upon retirement: 50% of the employee's then current rate of pay  
Other separation: 25% of the employee's then current rate of pay

## **11. CONTINGENT LIABILITIES (Continued)**

### **a. Compensated Absences (Continued)**

Police Department employees may not carry over vacation unless approved by the Mayor and Council. Sick days may be accumulated up to 360 days per employee with a maximum of 60 days to be reimbursed to the employee at retirement. The Borough has estimated the liability for unpaid sick pay to be \$633,458.53 and \$805,004.63 at December 31, 2019 and 2018, respectively. In accordance with New Jersey accounting principles and practices, these amounts are not reported as an expenditure or liability in the accompanying financial statements.

### **b. Tax Appeals**

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for years through 2019. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51.

Judgments, adverse to the Borough, would apply to the year of appeal plus at least two subsequent years. Refunds or tax credits, including statutory interest thereon, would be chargeable to operations of future budget appropriations.

County taxes paid on the reductions in assessed valuations are subject to credits against the County Tax Levy of the year subsequent to the year in which appeals were adjudicated.

### **c. Federal and State Awards**

The Borough participates in several federal and state grant programs which are governed by various rules and regulations of the grantor agencies; therefore to the extent that the Borough has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2019 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

### **d. Arbitrage Rebate Calculation**

In 1985, under the Tax Reform Act, the Arbitrage Rebate Law went into effect requiring issuers of tax exempt debt obligations to rebate to the Federal Government all of the earnings in excess of the yield on investments of proceeds of such debt issuances (the "rebate arbitrage"). The Rebate Regulations apply to obligations issued after August 31, 1986. The arbitrage rebate liability must be calculated every installment computation date (last day of the fifth bond year) or earlier if the bonds are retired, defeased or refunded and pay at least 90% of the rebatable arbitrage (plus any earnings thereon) within 60 days after such date.

### **e. Payments in Lieu of Taxes (PILOT)**

Under N.J.S.A. 40A:20-12, each municipality is required to annually remit to the County five percent (5%) of the annual service charge for each long-term PILOT financial agreement entered into by the municipality.



## **11. CONTINGENT LIABILITIES**

### ***f. Litigation***

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Borough's insurance carriers or would have a material impact on the Borough.

## **12. SECONDARY MARKET DISCLOSURE**

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

## **13. SUBSEQUENT EVENTS**

The Borough of Watchung has evaluated subsequent events that occurred after the balance sheet date, but before December 4, 2020 and it was determined that the following item requires disclosure:

Due to the impact of the COVID-19 pandemic, the Borough of Watchung implemented several policies to protect the health and safety of its employees and citizens. It is anticipated that certain revenues will not be realized to the extent it was budgeted for in fiscal year 2020, for example the Municipal Court, the Construction Code and the Recreation Department.

BOROUGH OF WATCHUNG  
CURRENT FUND

CASH RECEIPTS AND DISBURSEMENTS  
COLLECTOR - TREASURER

A-4

	<u>Ref.</u>	<u>Current Fund</u>	<u>Federal and State Grant Fund</u>
Balance December 31, 2018	A	\$ 5,366,463.76	\$ 120,924.92
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2a	\$ 248,099.67	\$
Petty Cash	A-6	400.00	
Taxes Receivable	A-7	37,213,580.79	
Revenue Accounts Receivable	A-8	3,111,228.35	
Due from State of New Jersey per Ch. 129, P.L. 1976	A-11	25,750.00	
Tax Sale Premiums	A-23	128,000.00	
Prepaid Taxes	A-14	196,734.16	
Tax Overpayments	A-15	905.23	
Interfunds	A-19	6,000,413.24	
Grants Receivable	A-9		195,342.73
Grants Appropriated - Match	A-24		130,000.00
Prepaid Licenses	A-13	750.00	
Due Outside Lienholders	A-25	43,672.66	
Due to State of New Jersey	A-21	24,033.00	
		<u>46,993,567.10</u>	<u>325,342.73</u>
		52,360,030.86	446,267.65
Decreased by Disbursements:			
Miscellaneous	A-1	43,250.95	
2019 Budget Appropriations	A-3	13,307,036.46	
Reserve for Tax Appeals	A-22	8,603.69	
Petty Cash	A-6	400.00	
2018 Appropriation Reserves	A-10	200,239.05	
Tax Sale Premiums	A-23	19,500.00	
Accounts Payable	A-12	66,903.64	
Tax Overpayments	A-15	905.23	
Regional High School Tax	A-18	7,374,104.00	
County Taxes	A-16	7,300,987.16	
Local District School Taxes	A-17	11,482,038.00	
Interfunds	A-19	6,077,377.03	
Grants Appropriated - Match	A-24		169,129.99
Due Outside Lienholders	A-25	93,672.66	
Due to State of New Jersey	A-21	11,828.00	
		<u>45,986,845.87</u>	<u>169,129.99</u>
Balance December 31, 2019	A	\$ 6,373,184.99	\$ 277,137.66

BOROUGH OF WATCHUNG  
CURRENT FUND

CHANGE FUNDS

A-5

	<u>Ref.</u>	
Balance December 31, 2018	A	<u>\$ 250.00</u>
Balance December 31, 2019	A,Below	<u><u>\$ 250.00</u></u>
<u>Analysis of Balance</u>		
Office:		
Tax Collector		\$ 100.00
Clerk		50.00
Municipal Court		<u>100.00</u>
	Above	<u><u>\$ 250.00</u></u>

PETTY CASH FUNDS

A-6

	<u>Ref.</u>	
Increased by:		
Cash Receipts	A-4	\$ 400.00
Decreased by:		
Cash Disbursements	A-4	<u>400.00</u>
		<u><u>\$ -</u></u>
Office:		
Police Department		\$ 300.00
Clerk		<u>100.00</u>
		<u><u>\$ 400.00</u></u>

BOROUGH OF WATCHUNG  
CURRENT FUND

TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

A-7

<u>Year</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>2019 Levy</u>	<u>Collected</u>		<u>Due from</u> <u>State of</u> <u>New Jersey</u>	<u>Over-</u> <u>payments</u> <u>Applied</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
			<u>2018</u>	<u>2019</u>				
2018	\$ 140,578.17	\$	\$	\$ 140,550.30	\$	\$	\$ 27.87	\$
2019		37,627,741.49	220,520.13	37,073,030.49	25,750.00		36,268.56	272,172.31
	<u>\$ 140,578.17</u>	<u>\$ 37,627,741.49</u>	<u>\$ 220,520.13</u>	<u>\$ 37,213,580.79</u>	<u>\$ 25,750.00</u>	<u>\$ -</u>	<u>\$ 36,296.43</u>	<u>\$ 272,172.31</u>
<u>Reference</u>	<u>A</u>	<u>Below</u>	<u>A-2a,14</u>	<u>A-2,2a,4</u>	<u>A-2a,11</u>	<u>A-2a,13</u>	<u>Reserve</u>	<u>A</u>

ANALYSIS OF PROPERTY TAX LEVY

<u>Ref.</u>		<u>Ref.</u>	
<u>Tax Yield</u>		<u>Tax Levy</u>	
General Property		County Taxes (Abstract)	\$ 7,254,001.89
Tax	\$ 37,361,904.61	County Added Taxes (N.J.S.A. 54:4-63.1 et seq.)	46,985.27
Business Personal			
Tax - Utilities	25,180.83	A-16	\$ 7,300,987.16
Added Taxes	240,656.05	A-17	11,482,040.00
		A-18	7,374,104.00
		A-2	10,915,653.61
		A-19	362,688.23
			30,134,485.84
		Reserve	192,268.49
			<u>30,326,754.33</u>
<u>Above</u>	<u>\$ 37,627,741.49</u>	<u>Above</u>	<u>\$ 37,627,741.49</u>

BOROUGH OF WATCHUNG  
CURRENT FUND

REVENUE ACCOUNTS RECEIVABLE

A-8

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Accrued</u>	<u>Collections</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 18,000.00	\$ 18,000.00	\$
Other Licenses	A-2a		8,140.00	8,140.00	
Other Fees and Permits	A-2a		220.00	220.00	
Construction Code Official:					
Uniform Construction Code Fees	A-2		267,290.00	267,290.00	
Board of Adjustment:					
Other Fees and Permits	A-2a		14,113.00	14,113.00	
Board of Health:					
Other Licenses	A-2a		18,245.00	18,245.00	
Other Fees and Permits	A-2a		965.00	965.00	
Registrar of Vital Statistics:					
Other Licenses	A-2a		123.00	123.00	
Other Fees and Permits	A-2a		19,520.00	19,520.00	
Public Works:					
Other Fees and Permits	A-2a		125.00	125.00	
Tax Collector:					
Other Fees and Permits	A-2a		24.00	24.00	
Police Department:					
Other Fees and Permits	A-2a		4,224.10	4,224.10	
Municipal Court:					
Fines and Costs	A-2	11,435.82	175,991.03	179,037.97	8,388.88
Engineering:					
Other Fees and Permits	A-2a		9,650.00	9,650.00	
Fire Prevention:					
Other Fees and Permits	A-2a		7,839.00	7,839.00	
Planning Board:					
Other Fees and Permits	A-2a		800.00	800.00	
Finance:					
Other Fees and Permits	A-2a		99,445.34	99,445.34	
Recreation:					
Other Fees and Permits	A-2a		60,960.00	60,960.00	
Miscellaneous:					
Other Fees and Permits	A-2a		5,288.00	5,288.00	
State of New Jersey:					
Energy Receipts Tax	A-2		700,092.00	700,092.00	
Interest and Costs on Taxes	A-2		82,972.51	82,972.51	
Interest on Investments and Deposits	A-2		159,141.22	159,141.22	
Uniform Fire Safety Act	A-2		34,505.66	34,505.66	
Sewer Rents	A-2		1,318,384.05	1,318,384.05	
Bulk Pick Up Fees	A-2		12,480.00	12,480.00	
Open Space Trust Fund Debt Payment	A-2		365,000.00	365,000.00	
Shared Court Reimbursement	A-2		91,293.50	91,293.50	
		<u>\$ 11,435.82</u>	<u>\$ 3,474,831.41</u>	<u>\$ 3,477,878.35</u>	<u>\$ 8,388.88</u>

<u>Reference</u>	<u>A</u>	<u>Reserve</u>	<u>Below</u>	<u>A</u>
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	<u>Ref.</u>	
Interfund	A-19	\$ 365,000.00
Prepaid Licenses	A-12	1,650.00
Cash Receipts	A-4	3,111,228.35
	<u>Above</u>	<u>\$ 3,477,878.35</u>

BOROUGH OF WATCHUNG  
GRANT FUND

GRANTS RECEIVABLE

A-9

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>2019</u> <u>Grants</u>	<u>Collections</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
NJ Safe and Secure Communities Program	\$ 87,000.00	\$	\$	\$	\$ 87,000.00
NJ Safe and Secure Communities Program - 2019:					
State Share		60,000.00	60,000.00		
FEMA Generator Grant	100,000.00		100,000.00		
Alcohol Education Rehabilitation Fund - 2019		2,009.37	2,009.37		
Clean Communities - 2019		15,829.63	15,829.63		
Recycling Tonnage Grant - 2018 and 2019		26,254.39	26,254.39		
Body Armor Replacement Fund - 2018		3,229.96		3,229.96	
Body Armor Replacement Fund - 2019		6,248.00	3,229.96		3,018.04
Somerset County Youth Services/Athletic Grants - 2019-2020		5,000.00			5,000.00
Somerset County Block Grant - Historic Grant - 2019		1,000.00	1,000.00		
	<u>\$187,000.00</u>	<u>\$ 119,571.35</u>	<u>\$ 208,323.35</u>	<u>\$ 3,229.96</u>	<u>\$ 95,018.04</u>

Reference

A

Below

Below

A-24

A

Ref.

Cash Receipts  
Unappropriated Reserves  
Grant Revenue  
Grants Cancelled

A-4  
A-26  
A-2  
A-24

\$  
  
116,341.39  
3,229.96

\$195,342.73  
12,980.62

Above

\$ 119,571.35

\$ 208,323.35

BOROUGH OF WATCHUNG  
CURRENT FUND

2018 APPROPRIATION RESERVES

A-10  
Sheet #1

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2018</u>		<u>Modified</u> <u>Balance</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>GENERAL GOVERNMENT</u>					
Mayor and Council:					
Other Expenses	\$	\$ 12,645.41	\$ 12,645.41	\$ 6,342.24	\$ 6,303.17
Municipal Clerk:					
Salaries and Wages		4.43	4.43		4.43
Other Expenses		2,089.94	2,089.94	1,750.41	339.53
Financial Administration:					
Salaries and Wages		684.69	684.69		684.69
Other Expenses	1,632.97		1,632.97	1,632.97	
Audit Services		997.46	997.46		997.46
Insurance:					
Group Insurance Plans for Employees		112,379.98	112,379.98	1,315.35	111,064.63
Other Insurance Premiums		639.36	639.36		639.36
Administrative and Executive:					
Other Expenses		58.82	58.82		58.82
Collector of Taxes:					
Salaries and Wages		3,968.41	3,968.41		3,968.41
Other Expenses		695.14	695.14	692.85	2.29
Assessor of Taxes:					
Salaries and Wages		1,335.59	1,335.59		1,335.59
Other Expenses		2,820.53	2,820.53	2,820.53	
Legal Services and Costs:					
Other Expenses		4,169.47	4,169.47	3,986.00	183.47
Municipal Court:					
Salaries and Wages	-	3,000.08	3,000.08	3,000.00	0.08
Other Expenses		9,082.93	9,082.93	5,112.99	3,969.94
Engineering Services and Costs:					
Salaries and Wages		3,262.16	3,262.16		3,262.16
Other Expenses		762.60	762.60	693.96	68.64

BOROUGH OF WATCHUNG  
CURRENT FUND

2018 APPROPRIATION RESERVES

A-10  
Sheet #2

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2018</u>		<u>Modified</u> <u>Balance</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>GENERAL GOVERNMENT</u>					
Public Defender:					
Salaries and Wages	\$	\$ 100.00	\$ 100.00	\$	\$ 100.00
Planning Board:					
Other Expenses		4,532.94	4,532.94	1,606.01	2,926.93
Board of Adjustment:					
Salaries and Wages		58.74	58.74		58.74
Other Expenses		2,823.17	2,823.17	2,755.00	68.17
Elections:					
Other Expenses		345.52	345.52		345.52
<u>PUBLIC SAFETY</u>					
Uniform Fire Safety (P.L. 1983, Ch. 383):					
Fire Official:					
Salaries and Wages		61.54	61.54		61.54
Other Expenses		680.75	680.75	283.46	397.29
Fire:					
Other Expenses	5,172.24	51,265.45	56,437.69	56,437.69	
Police:					
Salaries and Wages		43,001.65	43,001.65	34,912.50	8,089.15
Other Expenses	27,901.13	3,050.72	30,951.85	30,951.85	
Streets and Roads:					
Salaries and Wages		7,114.47	7,114.47	7,000.00	114.47
Other Expenses	13,239.74	4,709.94	17,949.68	17,949.68	
Emergency Management:					
Salaries and Wages		3,864.84	3,864.84		3,864.84
Other Expenses		7,715.51	7,715.51	1,599.00	6,116.51



BOROUGH OF WATCHUNG  
CURRENT FUND

2018 APPROPRIATION RESERVES

A-10  
Sheet #3

<u>Appropriations</u>	Balance Dec. 31, 2018		<u>Modified Balance</u>	<u>Paid and Committed</u>	<u>Balance Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>PUBLIC WORKS</u>					
Public Buildings and Grounds:					
Other Expenses	\$ 9,951.14	\$ 668.06	\$ 10,619.20	\$ 10,619.20	\$
<u>HEALTH AND WELFARE</u>					
Animal Control:					
Other Expenses		52.00	52.00		52.00
Sewer System:					
Other Expenses		17,239.61	17,239.61		17,239.61
Condo Act Reimbursement:					
Other Expenses		487.27	487.27		487.27
<u>RECREATION AND EDUCATION</u>					
Recreation:					
Other Expenses		916.16	916.16	107.82	808.34
Free Public Library:					
Other Expenses		635.75	635.75		635.75
Traffic and Beautification:					
Other Expenses		566.94	566.94		566.94
Environmental Commission:					
Other Expenses		555.00	555.00		555.00
Historical Preservation:					
Other Expenses		4,987.03	4,987.03	1,100.00	3,887.03

BOROUGH OF WATCHUNG  
CURRENT FUND

2018 APPROPRIATION RESERVES

A-10  
Sheet #4

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2018</u>		<u>Modified</u> <u>Balance</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>CODE ENFORCEMENT</u>					
State Uniform Construction Code Official:					
Salaries and Wages	\$	\$ 14,914.64	\$ 14,914.64	\$ 10,000.00	\$ 4,914.64
Other Expenses	655.69	856.56	1,512.25	1,512.25	
Plumbing Inspector:					
Salaries and Wages		11,462.51	11,462.51		11,462.51
Electrical Inspector:					
Salaries and Wages		587.72	587.72		587.72
Fire Sub-Code Inspector:					
Salaries and Wages		203.86	203.86		203.86
<u>UNCLASSIFIED</u>					
Natural Gas		10,628.87	10,628.87		10,628.87
Electricity		55,368.31	55,368.31		55,368.31
Water		6,366.37	6,366.37	1,447.37	4,919.00
Telephone		689.97	689.97	316.14	373.83
Street Lighting		12,988.83	12,988.83		12,988.83
Fire Hydrant Services		262.73	262.73		262.73
Gasoline		6,453.96	6,453.96	6,318.60	135.36
Compensated Absences	100.00		100.00	100.00	
<u>STATUTORY EXPENDITURES</u>					
Contribution to:					
Social Security System (OASI)		14,230.83	14,230.83	600.00	13,630.83
Other Operations:					
Municipal Alliance Local Match:					
Other Expenses	1,500.00		1,500.00	1,500.00	

BOROUGH OF WATCHUNG  
CURRENT FUND

2018 APPROPRIATION RESERVES

A-10  
Sheet #5

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2018</u>		<u>Modified</u> <u>Balance</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Board of Health:					
Other Expenses	\$	\$ 223.30	\$ 223.30	\$ 35.00	\$ 188.30
Capital Improvement Fund		5,104.01	5,104.01	4,481.00	623.01
Prior Year Accounts Payable	<u>14,513.94</u>		<u>14,513.94</u>		<u>14,513.94</u>
	<u>\$74,666.85</u>	<u>\$454,372.53</u>	<u>\$529,039.38</u>	<u>\$218,979.87</u>	<u>\$310,059.51</u>
<u>Reference</u>	<u>A-12</u>	<u>A</u>		<u>Below</u>	<u>A-1</u>
			<u>Ref.</u>		
		Cash Disbursements	A-4	\$200,239.05	
		Accounts Payable	A-12	<u>18,740.82</u>	
			Above	<u>\$218,979.87</u>	

BOROUGH OF WATCHUNG  
CURRENT FUND

DUE (FROM)/TO STATE OF NEW JERSEY  
PER CHAPTER 129, P.L. 1976

A-11

	<u>Ref.</u>		
Balance December 31, 2018	A		\$ (4,141.79)
Increased by:			
Received Cash from State	A-4	\$ 25,750.00	
Senior Citizens' Deductions Disallowed by Tax Collector	Below	<u>250.00</u>	
			<u>26,000.00</u>
			21,858.21
Decreased by:			
Senior Citizens' Deductions per Tax Duplicate	Below	2,000.00	
Veterans' Deductions per Tax Duplicate	Below	<u>24,000.00</u>	
			<u>26,000.00</u>
Balance December 31, 2019	A		<u>\$ (4,141.79)</u>
Calculation of State Share of 2018 Senior Citizens' <u>and Veterans' Deductions Allowed by Collector</u>			
Senior Citizens' Deductions per Tax Billings	Above	\$ 2,000.00	
Veterans' Deductions per Tax Billings	Above	<u>24,000.00</u>	
			\$ 26,000.00
Less: Senior Citizen Deductions Disallowed by Tax Collector	Above		<u>250.00</u>
	A-7		<u>\$ 25,750.00</u>

BOROUGH OF WATCHUNG  
CURRENT FUND

ACCOUNTS PAYABLE

A-12

	<u>Ref.</u>		
Balance December 31, 2018	A		\$ 169,898.53
Increased by:			
2019 Appropriations	A-10		<u>18,740.82</u>
			188,639.35
Decreased by:			
Disbursements	A-4	\$ 66,903.64	
Transferred to 2018 Appropriation Reserves	A-10	<u>74,666.85</u>	
			<u>141,570.49</u>
Balance December 31, 2019	A		<u>\$ 47,068.86</u>

PREPAID LICENSES

A-13

	<u>Ref.</u>		
Balance December 31, 2018	A		\$ 1,650.00
Increased by:			
Receipts	A-4		<u>750.00</u>
			2,400.00
Decreased by:			
Applied to Current Revenue	A-8		<u>1,650.00</u>
Balance December 31, 2019	A		<u>\$ 750.00</u>

BOROUGH OF WATCHUNG  
CURRENT FUND

PREPAID TAXES

A-14

	<u>Ref.</u>	
Balance December 31, 2018	A	\$292,140.58
Increased by:		
Collections	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right;">196,734.16</div> <div style="border-top: 1px solid black; text-align: right;">488,874.74</div> </div>
Decreased by:		
Applied	A-7	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right;">220,520.13</div> <div style="border-top: 1px solid black; text-align: right;">220,520.13</div> </div>
Balance December 31, 2019	A	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right;">\$268,354.61</div> <div style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$268,354.61</div> </div>

TAX OVERPAYMENTS

A-15

	<u>Ref.</u>	
Increased by:		
Overpayments	A-4	\$ 905.23
Decreased by:		
Disbursements	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right;">905.23</div> <div style="border-top: 1px solid black; text-align: right;">905.23</div> </div>
		<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right;">\$ -</div> <div style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$ -</div> </div>

BOROUGH OF WATCHUNG  
CURRENT FUND

COUNTY TAXES PAYABLE

A-16

Ref.

Increased by:		
2019 Tax Levy	A-1,7	\$ 7,300,987.16
Decreased by:		
Cash Disbursements	A-4	<u>7,300,987.16</u>
		<u>\$ -</u>

LOCAL SCHOOL DISTRICT TAX

A-17

Ref.

Increased by:		
Levy Calendar Year 2019	A-1,7	\$11,482,040.00
Decreased by:		
Cash Disbursements	A-4	<u>11,482,038.00</u>
Balance December 31, 2019	A	<u>\$ 2.00</u>

REGIONAL HIGH SCHOOL TAXES PAYABLE

A-18

Ref.

Increased by:		
2019 Tax Levy	A	\$ 7,374,104.00
Decreased by:		
Cash Disbursements	A-4	<u>7,374,104.00</u>
		<u>\$ -</u>

BOROUGH OF WATCHUNG  
CURRENT FUND

INTERFUNDS

A-19

	<u>Ref.</u>	<u>Total</u>	<u>Federal and State Grant Fund</u>	<u>Assessment Trust Fund</u>	<u>Developer's Escrow Fund</u>	<u>Animal Control Fund</u>	<u>Other Escrow Fund</u>	<u>General Capital Fund</u>
Balance December 31, 2018:								
Due From	A	<u>\$ 1,717.74</u>			<u>\$ 1,304.34</u>	<u>\$ 413.40</u>		
(Due To)	A	<u>\$ (20,340.86)</u>		<u>\$ (17,799.20)</u>				<u>\$ (2,541.66)</u>
Increased by:								
Cash Disbursements	A-4	\$ 6,077,377.03	\$ 290,000.00	\$ 80,922.04	\$ 5,346.38		\$ 8,259.56	\$ 5,692,849.05
Municipal Open Space	A-8	365,000.00					365,000.00	
		<u>6,442,377.03</u>	<u>290,000.00</u>	<u>80,922.04</u>	<u>5,346.38</u>	-	<u>373,259.56</u>	<u>5,692,849.05</u>
Decreased by:								
Misposting of Prior Year Revenue	A-1	810.26		168.75			641.51	
Budget Appropriation	A-3	130,000.00	130,000.00					
Municipal Open Space Tax	A-2a	362,688.23					362,688.23	
Cash Receipts	A-4	6,000,413.24	160,000.00	134,440.83	2,600.00		8,259.56	5,695,112.85
		<u>6,493,101.47</u>	<u>290,000.00</u>	<u>134,609.58</u>	<u>2,600.00</u>	-	<u>371,589.30</u>	<u>5,695,112.85</u>
Balance December 31, 2019:								
Due From	A	<u>\$ 6,134.38</u>			<u>\$ 4,050.72</u>	<u>\$ 413.40</u>	<u>\$ 1,670.26</u>	
(Due To)	A	<u>\$ (76,292.20)</u>		<u>\$ (71,486.74)</u>				<u>\$ (4,805.46)</u>
Balance December 31, 2018	Above	\$ 1,717.74						
Balance December 31, 2019	Above	<u>6,134.38</u>						
Charge to Operations	A-1	<u>\$ (4,416.64)</u>						



BOROUGH OF WATCHUNG  
CURRENT FUND

RESERVE FOR SEWER REPAIR EMERGENCY

A-20

	<u>Ref.</u>	
Balance December 31, 2018	A	<u>\$ 11,792.76</u>
Balance December 31, 2019	A	<u><u>\$ 11,792.76</u></u>

DUE TO STATE OF NEW JERSEY

A-21

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 4,447.00
Increased by:		
Cash Receipts	A-4	<u>24,033.00</u>
		28,480.00
Decreased by:		
Cash Disbursements	A-4	<u>11,828.00</u>
Balance December 31, 2019	A,Below	<u><u>\$ 16,652.00</u></u>
<u>Analysis of Balance</u>		
DCA Fees	Above	<u><u>\$ 16,652.00</u></u>

BOROUGH OF WATCHUNG  
CURRENT FUND

RESERVE FOR TAX APPEALS

A-22

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 67,848.91
Decreased by:		
Cash Disbursement	A-4	<u>8,603.69</u>
Balance December 31, 2019	A	<u>\$ 59,245.22</u>

TAX SALE PREMIUMS

A-23

	<u>Ref.</u>		
Balance December 31, 2018	A		\$182,455.42
Increased by:			
Receipts	A-4		<u>128,000.00</u>
			310,455.42
Decreased by:			
Disbursements	A-4	\$19,500.00	
Transfer to Outside Liens	A-25	<u>50,000.00</u>	
			<u>69,500.00</u>
Balance December 31, 2019	A		<u>\$240,955.42</u>

BOROUGH OF WATCHUNG  
GRANT FUND

RESERVE FOR GRANTS - APPROPRIATED

A- 24  
Sheet #1

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>2019 Budget</u> <u>Appropriation</u>	<u>Paid or</u> <u>Charged</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Drunk Driving Enforcement Fund	\$ 2,058.96	\$	\$ 1,321.70	\$	\$ 737.26
Safe and Secure Communities - 2015:					
Local Share	7,000.00				7,000.00
Safe and Secure Communities - 2016:					
State Share	10,000.00				10,000.00
Local Share	57,000.00				57,000.00
Safe and Secure Communities - 2017:					
State Share	20,000.00				20,000.00
Local Share	30,000.00				30,000.00
Safe and Secure Communities - 2018:					
Local Share	90,000.00				90,000.00
Safe and Secure Communities - 2019:					
State Share		60,000.00			60,000.00
Local Share		130,000.00	130,000.00		
Click It or Ticket - 2016	1,980.30		1,980.30		
Alcohol Education Rehabilitation Fund - 2014	827.12		600.00		227.12
Alcohol Education Rehabilitation Fund - 2015	1,885.86				1,885.86
Alcohol Education Rehabilitation Fund - 2016	785.61				785.61
Alcohol Education Rehabilitation Fund - 2017	1,093.78				1,093.78
Alcohol Education Rehabilitation Fund - 2018	878.79				878.79
Alcohol Education Rehabilitation Fund - Other	4,021.41				4,021.41
Alcohol Education Rehabilitation Fund - 2019		2,009.37			2,009.37
Clean Communities	33,212.21				33,212.21
Clean Communities - 2017	14,835.44				14,835.44
Clean Communities - 2018	9,190.38		8,024.95		1,165.43
Clean Communities - 2019		15,829.63			15,829.63

BOROUGH OF WATCHUNG  
GRANT FUND

RESERVE FOR GRANTS - APPROPRIATED

A- 24  
Sheet #2

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>2019 Budget</u> <u>Appropriation</u>	<u>Paid or</u> <u>Charged</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Recycling Tonnage Grant - 2018 and 2019	\$	\$ 26,254.39	\$ 24,203.04	\$	\$ 2,051.35
Body Armor Replacement Fund	164.48				164.48
Body Armor Replacement Fund - 2018		3,229.96		3,229.96	-
Body Armor Replacement Fund - 2019		6,248.00			6,248.00
Somerset County Youth Services/Athletic Grants - 2016-2017	512.13				512.13
Somerset County Youth Services/Athletic Grants - 2017-2018	906.03				906.03
Somerset County Youth Services/Athletic Grants - 2018-2019	5,000.00				5,000.00
Somerset County Youth Services/Athletic Grants - 2019-2000		5,000.00			5,000.00
Somerset County Block Grant - Historic Grant - 2018	3,000.00		3,000.00		
Somerset County Block Grant - Historic Grant - 2019		1,000.00			1,000.00
All Hazards Emergency Operating Planning Program	591.80				591.80
	<u>\$ 294,944.30</u>	<u>\$ 249,571.35</u>	<u>\$ 169,129.99</u>	<u>\$ 3,229.96</u>	<u>\$ 372,155.70</u>

Reference

A

Below

A-4

A-9

A

Ref.

Budget Appropriations

A-3

\$ 116,341.39

Local Match

A-4

130,000.00

Cancelled

A-9

3,229.96

Above

\$ 249,571.35

BOROUGH OF WATCHUNG  
CURRENT FUND

DUE OUTSIDE LIENHOLDERS

A-25

	<u>Ref.</u>		
Increased by:			
Cash Receipts	A-4	\$ 43,672.66	
Transfer from Tax Premium	A-23	<u>50,000.00</u>	
			\$ 93,672.66
Decreased by:			
Cash Disbursements	A-4		<u>93,672.66</u>
			<u>\$ -</u>

RESERVE FOR GRANTS - UNAPPROPRIATED

A-26

	<u>Ref.</u>		
Balance December 31, 2018	A		\$ 12,980.62
Decreased by:			
Applied	A-9		<u>12,980.62</u>
			<u>\$ -</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

CASH RECEIPTS AND DISBURSEMENTS  
COLLECTOR - TREASURER

B-4

	Ref.	Animal Control Fund	Trust Other Fund	Assessment Trust Fund
Balance December 31, 2018	B	\$4,964.40	\$ 2,882,444.68	\$675,552.14
Increased by Receipts:				
Due from Current Fund	B-4		\$ 33,739.35	\$
Animal Control Fees	B-5	1,750.20		
Assessments Receivable	B-7			80,922.04
Developer's Escrow	B-8		271,929.77	
State Unemployment Insurance	B-9		15,530.51	
Various Reserves	B-10		86,435.67	
Animal Fees Due State of New Jersey	B-12	238.80		
Open Space Trust	B-13		632.92	
Payroll Deductions Payable	B-17		7,398,566.37	
Recreation	B-18		16,514.70	
Affordable Housing	B-19		370,834.77	
Law Enforcement Trust Fund	B-20		1,412.38	
Police Outside Overtime	B-22		713,093.52	
		<u>1,989.00</u>	<u>8,908,689.96</u>	<u>80,922.04</u>
		6,953.40	11,791,134.64	756,474.18
Decreased by Disbursements:				
Due to Current Fund	B-4		32,384.48	
New Jersey Environmental Infrastructure				
Trust Loan Payable:				
Trust Loan	B-8			42,500.00
Fund Loan	B-9			23,250.16
Reserve for Animal Control Trust Fund				
Expenditures	B-11	2,199.00		
Animal Fees Due State of New Jersey	B-12	232.80		
Developer's Escrow	B-14		481,696.67	
State Unemployment Insurance	B-15		11,110.43	
Various Reserves	B-16		15,052.32	
Payroll Deductions Payable	B-17		7,394,162.03	
Recreation - Reserves	B-18		26,955.70	
Affordable Housing	B-19		43,750.09	
Police Outside Overtime	B-22		589,477.17	
		<u>2,431.80</u>	<u>8,594,588.89</u>	<u>65,750.16</u>
Balance December 31, 2019	B	<u>\$4,521.60</u>	<u>\$ 3,196,545.75</u>	<u>\$690,724.02</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

ANALYSIS OF ASSESSMENT TRUST CASH AND INVESTMENTS

B-5

	Balance Dec. 31, 2018	Receipts Assessments Receivable	Disbursements Infrastructure Loan	Transfers		Balance Dec. 31, 2019
				From	To	
New Jersey Environmental Infrastructure Trust Loan:						
#99-12, 99-13, 99-14	\$	\$	\$35,000.00	\$	\$ 70,000.00	\$ 35,000.00
#13-4	136,234.80	42,103.60	30,750.16			147,588.24
Other Accounts:						
Current Interfund	(17,799.20)			53,687.54		(71,486.74)
General Capital Interfund	510,932.36	38,103.19		70,000.00	53,687.54	532,723.09
Fund Balance	46,184.18	715.25				46,899.43
	<u>\$675,552.14</u>	<u>\$ 80,922.04</u>	<u>\$65,750.16</u>	<u>\$123,687.54</u>	<u>\$123,687.54</u>	<u>\$690,724.02</u>
<u>Reference</u>	<u>B</u>	<u>B-7</u>	<u>Below</u>	<u>Contra</u>	<u>Contra</u>	<u>B</u>

Ref.

New Jersey Environmental  
Infrastructure Trust Loan  
Payable:

Trust Loan	B-8	\$42,500.00
Fund Loan	B-9	<u>23,250.16</u>
	Above	<u>\$65,750.16</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

INTERFUNDS

B-6

			Trust Other Funds	Assessment Trust Fund		Animal Control Fund
			Current	General	Current	Current
	<u>Ref.</u>	<u>Total</u>	<u>Fund</u>	<u>Capital Fund</u>	<u>Fund</u>	<u>Fund</u>
Balance December 31, 2018:						
Due From	B	\$ 17,799.20	\$ -		\$17,799.20	
(Due To)	B	\$(1,186,196.44)	\$ (1,304.34)	\$(1,184,478.70)		\$ (413.40)
Increased by:						
Cash Receipts	B-4	33,739.35	33,739.35			
Assessment Trust Fund Revenue						
Deposited in Current Fund in Error	B-7	53,687.54			53,687.54	
Open Space Trust Disbursements						
Current Anticipated Revenue	B-13	365,000.00	365,000.00			
Developer's Escrow Interest Earned						
Transferred to Current Fund in Error	B-14	750.00	750.00			
		<u>453,176.89</u>	<u>399,489.35</u>	<u>-</u>	<u>53,687.54</u>	<u>-</u>
Decreased by:						
Cash Disbursements	B-4	32,384.48	32,384.48			
Open Space Trust	B-13	362,688.23	362,688.23			
		<u>395,072.71</u>	<u>395,072.71</u>			
Balance December 31, 2019:						
Due From	B	\$ 71,486.74			\$71,486.74	
(Due To)	B	\$(1,190,613.08)	\$ (5,720.98)	\$(1,184,478.70)		\$ (413.40)



BOROUGH OF WATCHUNG  
TRUST FUNDS

ASSESSMENTS RECEIVABLE

B-7

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Confirmation</u>			<u>Balance Dec. 31, 2018</u>	<u>Prior Year Adjustment</u>	<u>Collected</u>	<u>Balance Dec. 31, 2019</u>	<u>Balance Pledged To</u>		
		<u>Date</u>	<u>Installments</u>	<u>Due Dates</u>					<u>Infrastructure Loan</u>	<u>Due to General Capital Fund</u>	<u>Reserve</u>
88-20	Construction of Sanitary Sewer - Various Roads	6-28-01	10	6-28-11	\$ 12,948.44	\$	\$ 5,707.33	\$ 7,241.11	\$	\$ 7,241.11	\$
99-12,99-13, 99-14	Installation of Sanitary Sewer and Public Water	9-14-06	20	11-14-20/25	132,534.09	5,006.69	18,161.74	119,379.04		115,087.60	4,291.44
03-03/06-27, 03-04/06-28	Corey Lane, Orchard Road, Old Somerset Road, Eaton Road, Sunbright Road and Valley Road	5-28-09	20	5-28-20/29	278,824.24		21,238.37	257,585.87		257,585.87	
06-29	Skyline/Johnson Sanitary Sewer System	1-13-11	20	3-14-20/32	207,899.18		26,085.66	181,813.52		181,813.52	
08-05	Sanitary Sewer Extension Valley Road	8-18-11	20	10-18-20/32	45,280.20		7,546.70	37,733.50		37,733.50	
13-4	Johnston/Valley	2-19-15	10	4-01-20/25	350,326.10		42,103.60	308,222.50	297,013.66		11,208.84
13-23	Lakeview/Cedar Curbing	8-21-14	Various	4-01-20/24	66,060.19		13,766.18	52,294.01		52,294.01	
					<u>\$ 1,093,872.44</u>	<u>\$ 5,006.69</u>	<u>\$ 134,609.58</u>	<u>\$ 964,269.55</u>	<u>\$ 297,013.66</u>	<u>\$ 651,755.61</u>	<u>\$ 15,500.28</u>
		<u>Reference</u>			<u>B</u>	<u>B-10</u>	<u>Below</u>	<u>B</u>	<u>B</u>	<u>B</u>	<u>B</u>
						<u>Ref.</u>					
					Cash Received	B-4,5	\$ 80,922.04				
					Interfund Receivables	B-6	53,687.54				
						Above	<u>\$ 134,609.58</u>				

BOROUGH OF WATCHUNG  
TRUST FUNDS

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE  
TRUST LOAN

B-8

<u>Ordinance Number</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding Dec. 31, 2019</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2019</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>				
99-12, 99-13, 99-14	11-09-00	\$455,000.00	8-01-20	\$35,000.00	5.25 %	\$ 70,000.00	\$ 35,000.00	\$ 35,000.00
13-4	5-21-14	150,000.00	8-01-20/24	7,500.00	5.000			
			8-01-25/26	7,500.00	3.000			
			8-01-27/31	10,000.00	3.000			
			8-01-32	10,000.00	3.125			
			8-01-33	10,000.00	3.250	<u>130,000.00</u>	<u>7,500.00</u>	<u>122,500.00</u>
						<u>\$200,000.00</u>	<u>\$42,500.00</u>	<u>\$157,500.00</u>
					<u>Reference</u>	<u>B</u>	<u>B-4</u>	<u>B</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE  
FUND LOAN

B-9

<u>Ordinance Number</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding Dec. 31, 2019</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>	<u>Decrease Budget Appropriation</u>	<u>Balance Dec. 31, 2019</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>				
13-4	5-21-14	\$457,253.31	2-01-2020	\$ 7,750.05	*			
			8-01-2020	15,500.11	*			
			2-01-2021	7,750.05	*			
			8-01-2021	15,500.11	*			
			2-01-2022	7,750.05	*			
			8-01-2022	15,500.11	*			
			2-01-2023	7,750.05	*			
			8-01-2023	15,500.11	*			
			2-01-2024	7,750.05	*			
			8-01-2024	15,500.11	*			
			2-01-2025	7,750.05	*			
			8-01-2025	15,500.11	*			
			2-01-2026	7,750.05	*			
			8-01-2026	15,500.11	*			
			2-01-2027	7,750.05	*			
			8-01-2027	15,500.11	*			
			2-01-2028	7,750.05	*			
			8-01-2028	15,500.11	*			
			2-01-2029	7,750.05	*			
			8-01-2029	15,500.11	*			
			2-01-2030	7,750.05	*			
			8-01-2030	15,500.11	*			
			2-01-2031	7,750.05	*			
			8-01-2031	15,500.11	*			
			2-01-2032	7,750.05	*			
			8-01-2032	15,500.11	*			
			2-01-2033	7,750.05	*			
			8-01-2033	12,099.77	*			
						<u>\$345,352.06</u>	<u>\$23,250.16</u>	<u>\$322,101.90</u>

Reference

B

B-4

B

\*Interest Free

BOROUGH OF WATCHUNG  
TRUST FUNDS

RESERVE FOR ASSESSMENTS

B-10

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Prior Year Adjustment</u>	<u>Collections</u>	<u>Balance Dec. 31, 2019</u>
99-12, 99-13, 99-14	Installation of Sanitary Sewer and Public Water	\$	\$5,006.69	\$ 715.25	\$ 4,291.44
13-4	Johnston/Valley	<u>11,208.84</u>	<u>                    </u>	<u>                    </u>	<u>11,208.84</u>
		<u>\$11,208.84</u>	<u>\$5,006.69</u>	<u>\$ 715.25</u>	<u>\$15,500.28</u>
	<u>Reference</u>	<u>B</u>	<u>B-7</u>	<u>B-1</u>	<u>B</u>

TOWNSHIP OF WATCHUNG  
TRUST FUNDS

RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

B-11

	<u>Ref.</u>		
Balance December 31, 2018	B		\$ 4,551.00
Increased by:			
Collections:			
Dog License Fees Collected		\$ 1,663.20	
Dog License Late Fees Collected		60.00	
Cat License Fees Collected		27.00	
	B-4	<u>1,750.20</u>	
Prior Year Overpayment Applied	B-12	<u>6.00</u>	
			<u>1,756.20</u>
			6,307.20
Decreased by:			
Expenditures Under N.J.S. 40A:4-39	B-4		<u>2,199.00</u>
Balance December 31, 2019	B		<u>\$ 4,108.20</u>

<u>License Fees Collected</u>	
<u>Year</u>	<u>Amount</u>
2017	\$ 2,173.40
2018	<u>1,859.20</u>
	<u>\$ 4,032.60</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

ANIMAL CONTROL TRUST  
RESERVE FOR ANIMAL FEES DUE STATE OF NEW JERSEY

B-12

Ref.

Increased by:

    Cash Receipts

B-4

\$238.80

Decreased by:

    Cash Disbursements

B-4

\$232.80

    Prior Year Overpayment Applied

B-11

6.00

238.80

\$ -

BOROUGH OF WATCHUNG  
TRUST FUNDS

RESERVE FOR OPEN SPACE TRUST

B-13

	<u>Ref.</u>		
Balance December 31, 2018	B		\$ 38,994.62
Increased by:			
Levy and Added	B-6	\$362,688.23	
Interest	B-4	<u>632.92</u>	
			<u>363,321.15</u>
			402,315.77
Decreased by:			
Disbursements - Current Anticipated			
Revenue	B-6		<u>365,000.00</u>
Balance December 31, 2019	B		<u><u>\$ 37,315.77</u></u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

RESERVE FOR DEVELOPERS' DEPOSITS

B-14

	<u>Ref.</u>		
Balance December 31, 2018	B		\$1,092,905.33
Increased by:			
Receipts		\$ 238,190.42	
Interest on Deposit		33,739.35	
	B-4		<u>271,929.77</u>
			1,364,835.10
Decreased by:			
Disbursements	B-4	481,696.67	
Interfund to Current	B-6	750.00	
			<u>482,446.67</u>
Balance December 31, 2019	B		<u>\$ 882,388.43</u>

RESERVE FOR STATE UNEMPLOYMENT COMPENSATION INSURANCE FUND

B-15

	<u>Ref.</u>		
Balance December 31, 2018	B		\$ 92,335.58
Increased by:			
Receipts:			
Payroll Deductions		\$ 6,629.00	
Department of Labor Overpaid Liability		7,783.80	
Interest on Deposits		1,117.71	
	B-4		<u>15,530.51</u>
			107,866.09
Decreased by:			
Unemployment Benefits	B-4		<u>11,110.43</u>
Balance December 31, 2019	B		<u>\$ 96,755.66</u>



BOROUGH OF WATCHUNG  
TRUST FUNDS

RESERVE FOR EXPENDITURES

B-16

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Prior Year</u> <u>Audit Adjustments</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Donations and Gifts	\$ 33,887.70	\$	\$ 4,845.52	\$ 1,702.32	\$ 37,030.90
POAA	1,070.95		16.00		1,086.95
Due to State of NJ - Marriage Licenses	5,630.00	(5,505.00)	325.00	300.00	150.00
Fire Safety Penalties	56,534.64	325.00	3,200.00		60,059.64
Fire Department Penalties	23,608.00	(21,358.00)			2,250.00
Sidewalk Fund	31,813.40	21,258.00			53,071.40
Public Defender	15,913.42	5,280.00	9,475.00	13,050.00	17,618.42
Tree Fund			5,050.00		5,050.00
Ness Property Clean Up	310,145.95		3,324.15		313,470.10
Accumulated Sick and Vacation	18,003.19		60,200.00		78,203.19
	<u>\$496,607.25</u>	<u>\$ -</u>	<u>\$86,435.67</u>	<u>\$15,052.32</u>	<u>\$567,990.60</u>
<u>Reference</u>	<u>B</u>		<u>B-4</u>	<u>B-4</u>	<u>B</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

TRUST OTHER FUNDS  
PAYROLL DEDUCTIONS PAYABLE

B-17

	<u>Ref.</u>	
Balance December 31, 2018	B	\$ 388.42
Increased by:		
Employee Payroll Deductions	B-4	<u>7,398,566.37</u>
		7,398,954.79
Decreased by:		
Cash Disbursements	B-4	<u>7,394,162.03</u>
Balance December 31, 2019	B	<u><u>\$ 4,792.76</u></u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

RECREATION  
RESERVE FOR EXPENDITURES

B-18

	<u>Ref.</u>	
Balance December 31, 2018	B	\$ 17,691.72
Increased by:		
Cash Receipts	B-4	16,514.70
		<u>34,206.42</u>
Decreased by:		
Cash Disbursements	B-4	26,955.70
		<u>26,955.70</u>
Balance December 31, 2019	B	<u>\$ 7,250.72</u>

AFFORDABLE HOUSING  
RESERVE FOR EXPENDITURES

B-19

	<u>Ref.</u>		
Balance December 31, 2018	B		\$ 1,059,768.52
Increased by:			
Cash Receipts		\$348,950.00	
Interest on Deposits		<u>21,884.77</u>	
	B-4		370,834.77
			<u>1,430,603.29</u>
Decreased by:			
Disbursements	B-4		43,750.09
			<u>43,750.09</u>
Balance December 31, 2019	B		<u>\$ 1,386,853.20</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

LAW ENFORCEMENT TRUST FUND  
RESERVE FOR EXPENDITURES

B-20

	<u>Ref.</u>	
Balance December 31, 2018	B	\$ 9,725.72
Increased by:		
Cash Receipts	B-4	<u>1,412.38</u>
Balance December 31, 2019	B	<u>\$11,138.10</u>

LAW ENFORCEMENT TRUST FUND - FEDERAL  
RESERVE FOR EXPENDITURES

B-21

	<u>Ref.</u>	
Balance December 31, 2018	B	<u>\$ 2,297.53</u>
Balance December 31, 2019	B	<u>\$ 2,297.53</u>

BOROUGH OF WATCHUNG  
TRUST FUNDS

POLICE OUTSIDE OVERTIME

B-22

	<u>Ref.</u>	
Balance December 31, 2018	B	\$ 70,425.65
Increased by:		
Cash Receipts	B-4	<u>713,093.52</u>
		783,519.17
Decreased by:		
Cash Disbursements	B-4	<u>589,477.17</u>
Balance December 31, 2019	B	<u><u>\$194,042.00</u></u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

CASH RECEIPTS AND DISBURSEMENTS  
COLLECTOR - TREASURER

C-2

	<u>Ref.</u>		
Balance December 31, 2018	C		\$1,260,037.82
Increased by Receipts:			
Deferred Charges - Unfunded	C-6	\$ 75,300.00	
State Aid Receivable	C-9	496,000.00	
Bond Anticipation Notes Payable	C-14	2,528,000.00	
Reserve for Payment of Debt Service	C-18	45,849.05	
Capital Improvement Fund	C-7	<u>270,000.00</u>	
	C-3		<u>3,415,149.05</u>
			<u>4,675,186.87</u>
Decreased by Expenditures:			
Bond Anticipation Notes Payable	C-14	75,000.00	
Improvement Authorizations	C-8	<u>2,509,145.08</u>	
	C-3		<u>2,584,145.08</u>
Balance December 31, 2019	C		<u><u>\$2,091,041.79</u></u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

ANALYSIS OF CAPITAL CASH AND INVESTMENTS

C-3

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>		<u>Balance</u>
		<u>Dec. 31, 2018</u>			<u>From</u>	<u>To</u>	<u>Dec. 31, 2019</u>
	Fund Balance	\$ 170,558.51	\$	\$	\$	\$ 2,263.80	\$ 172,822.31
	Capital Improvement Fund	285,366.72	270,000.00		135,500.00		419,866.72
	State Aid Receivable	(698,855.22)	496,000.00		322,000.00		(524,855.22)
	Reserve for Grant Receivable	50,000.00					50,000.00
	Interfunds	(1,187,020.36)			2,263.80		(1,189,284.16)
	Reserve for Capital Projects	27,942.00					27,942.00
	Contracts Payable	1,714,586.04			1,714,586.04		
	Reserve for Payment of Debt Service		45,849.05				45,849.05
	Bond Anticipation Notes		2,528,000.00	75,000.00	2,453,000.00		
	Improvement Authorizations:						
01-10/02-29	Various Capital Improvements	459,388.68		41,544.37		35,112.57	452,956.88
04-10	Various Public Improvements	29,363.00					29,363.00
05-13	Acquisition of Fire Truck					50,000.00	50,000.00
06-16	Various Improvements and Equipment					49,860.26	49,860.26
06-17	Various Public Improvements	5,891.25					5,891.25
07-16	Various Improvements and Equipment					60,000.00	60,000.00
08-18	Acquisition of Fire and Recreation Equipment					60,000.00	60,000.00
09-02	Reconstruction of Bayberry and Johnston	114,947.37					114,947.37
09-13	Various Public Improvements	51,210.75				60,000.00	111,210.75
12-05	Affordable Housing Services	66,150.72					66,150.72
13-09	Acquisition and Installation of Radio Equipment	1,177.32					1,177.32
13-11	Police and Fire Equipment	931.98					931.98
14-17	Various Public Improvements	11,497.40		112.92		26,754.33	38,138.81
15-3	Road Resurfacing Program	197,037.44		65,874.01			131,163.43
15-11	Various Public Improvements	63,066.66		8,608.25		50,000.00	104,458.41
16-04	Various Public Improvements	67,355.78	30,000.00	31,249.40	30,000.00		36,106.38
16-07	Various Public Improvements	50,027.60	30,000.00	1,280.00	30,000.00	54,496.00	103,243.60
16-10	Acquisition of Fire Truck					44,000.00	44,000.00
17-02	Various Public Improvements	132,701.04	15,000.00	62,084.31	15,000.00	25,660.00	96,276.73
18-12	Various Public Improvements and Equipment	22,004.71	300.00	753,317.94		753,568.47	22,555.24
18-14	Installation of Electronic Sign	314.77				1,978.07	2,292.84
18-15	Various Public Improvements and Equipment	(375,606.34)		502,995.46		1,726,156.34	847,554.54
19-14	Various Property Improvements			3,500.00		50,000.00	46,500.00
19-15	Various Public Improvements and Equipment			1,038,578.42		1,652,500.00	613,921.58
		<u>\$1,260,037.82</u>	<u>\$3,415,149.05</u>	<u>\$2,584,145.08</u>	<u>\$4,702,349.84</u>	<u>\$4,702,349.84</u>	<u>\$2,091,041.79</u>
	<u>Reference</u>	<u>C</u>	<u>C-2</u>	<u>C-2</u>	<u>Contra</u>	<u>Contra</u>	<u>C</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

INTERFUNDS

C-4

	<u>Ref.</u>	<u>Total</u>	<u>Assessment Trust Fund</u>	<u>Current Fund</u>
Balance December 31, 2018: Due (To)/From	C	\$ 1,187,020.36	\$ 1,184,478.70	\$ 2,541.66
Increased by: Unconfirmed Assessment Receivable	C-15	<u>2,263.80</u>	<u>                    </u>	<u>2,263.80</u>
Balance December 31, 2019: Due (To)/From	C	<u>\$ 1,189,284.16</u>	<u>\$ 1,184,478.70</u>	<u>\$ 4,805.46</u>



BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

C-5

	<u>Ref.</u>		
Balance December 31, 2018	C		\$16,675,389.43
Decreased by:			
Serial Bonds	C-10	\$1,300,000.00	
NJEIT Trust Loan	C-11	85,768.27	
NJEIT Fund Loan	C-12	33,515.00	
Green Trust Loan	C-13	<u>38,032.20</u>	
			<u>1,457,315.47</u>
Balance December 31, 2019	C		<u>\$15,218,073.96</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

C-6

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>	<u>2019 Authorizations</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2019</u>	<u>Analysis of Balance</u>		
						<u>Bond Anticipation Notes</u>	<u>Expenditures</u>	<u>Unexpended Improvement Authorization</u>
16-04	Various Capital Improvements	\$ 506,700.00	\$	\$30,000.00	\$ 476,700.00	\$ 476,700.00	\$	\$
16-07	Various Capital Improvements	500,000.00		30,000.00	470,000.00	470,000.00		
17-02	Various Capital Improvements	493,300.00		15,000.00	478,300.00	478,300.00		
17-08	Road Resurfacing Program	228,000.00			228,000.00	228,000.00		
18-12	Various Public Improvements	970,300.00		300.00	970,000.00	970,000.00		
18-15	Various Public Improvements	1,283,450.00			1,283,450.00	1,283,000.00		450.00
19-15	Various Public Improvements		1,245,500.00		1,245,500.00	1,245,000.00		500.00
		<u>\$3,981,750.00</u>	<u>\$1,245,500.00</u>	<u>\$75,300.00</u>	<u>\$5,151,950.00</u>	<u>\$5,151,000.00</u>	<u>\$ -</u>	<u>\$ 950.00</u>
	<u>Reference</u>	<u>C</u>	<u>C-8</u>	<u>Below</u>	<u>C</u>	<u>C-14</u>	<u>C-3</u>	<u>Below</u>
			<u>Ref.</u>				<u>Ref.</u>	
	Cash Receipts		C-2	\$75,300.00	Unexpended Improvement Authorizations - Unfunded		C-8	\$ 1,720,608.07
					Less: Unexpended Proceeds of Bond Anticipation Notes Issued		C-3	<u>1,719,658.07</u>
			Above	<u>\$75,300.00</u>			Above	<u>\$ 950.00</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

CAPITAL IMPROVEMENT FUND

C-7

	<u>Ref.</u>	
Balance December 31, 2018	C	\$285,366.72
Increased by:		
Budget Appropriations	C-2	<u>270,000.00</u> 555,366.72
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-8	<u>135,500.00</u>
Balance December 31, 2019	C	<u><u>\$419,866.72</u></u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

IMPROVEMENT AUTHORIZATIONS

C-8  
Sheet #1

<u>General Improvements</u>	<u>Ordinance</u>			<u>Balance</u>			<u>2019</u>	<u>Paid or</u>	<u>Balance</u>	
	<u>Number</u>	<u>Date</u>	<u>Amount</u>	<u>Funded</u>	<u>Dec. 31, 2018</u>	<u>Unfunded</u>			<u>Funded</u>	<u>Unfunded</u>
Various Capital Improvements	01-10/02-29	4/28/01	\$ 5,329,750.00	\$ 459,388.68	\$	\$ 35,112.57	\$	\$ 41,544.37	\$ 452,956.88	\$
Various Public Improvements	04-10	8/12/04	878,500.00	29,363.00					29,363.00	
Acquisition of Fire Truck	05-13	9/22/05	50,000.00			50,000.00			50,000.00	
Various Equipment and Improvements	06-16	6/22/06	116,500.00			49,860.26			49,860.26	
Various Public Improvements	06-17	6/22/06	1,183,000.00	5,891.25					5,891.25	
Various Equipment and Improvements	07-16	8/18/07	133,000.00			60,000.00			60,000.00	
Acquisition of Fire and Recreation Equipment	08-18	8/14/08	75,500.00			60,000.00			60,000.00	
Reconstruction of Bayberry and Johnston	09-02	2/26/09	1,590,000.00	114,947.37					114,947.37	
Various Public Improvements	09-13	8/20/09	254,500.00	51,210.75		60,000.00			111,210.75	
Affordable Housing Services	12-05	5/10/12	70,000.00	66,150.72					66,150.72	
Acquisition and Installation of Radio Equipment	13-09	7/18/13	90,000.00	1,177.32					1,177.32	
Police and Fire Equipment	13-11	9/12/13	62,500.00	931.98					931.98	
Various Public Improvements	14-17	9/18/14	1,050,000.00	11,497.40		26,754.33		112.92	38,138.81	
Road Resurfacing Program	15-3	4/02/15	1,150,000.00	197,037.44				65,874.01	131,163.43	
Various Public Improvements	15-11	11/05/15	512,000.00	63,066.66		50,000.00		8,608.25	104,458.41	
Various Public Improvements	16-04	4/21/16	708,400.00		67,355.78			31,249.40		36,106.38
Various Public Improvements	16-07	6/16/16	540,000.00		50,027.60	54,496.00		1,280.00		103,243.60
Improvements to Phillips Field	16-08	6/16/16	27,000.00							
Acquisition of Fire Truck	16-10	9/15/16	44,000.00			44,000.00			44,000.00	
Various Public Improvements	17-02	2/16/17	745,000.00		132,701.04	25,660.00		62,084.31		96,276.73
Road Resurfacing Program	17-08	6/22/17	24,000.00							

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

IMPROVEMENT AUTHORIZATIONS

C-8  
Sheet #2

General Improvements	Ordinance		Amount	Balance Dec. 31, 2018			2019 Authorizations	Paid or Charged	Balance Dec. 31, 2019	
	Number	Date		Funded	Unfunded	Encumbrances			Funded	Unfunded
Various Public Improvements and Equipment	18-12	6/07/18	\$ 1,570,000.00	\$	\$ 22,304.71	\$ 753,568.47	\$	\$ 753,317.94	\$	\$ 22,555.24
Installation of Electronic Sign	18-14	8/16/18	25,000.00	314.77		1,978.07			2,292.84	
Various Public Improvements and Equipment	18-15	10/04/18	1,351,000.00		907,843.68	443,156.34		502,995.46		848,004.54
Various Property Improvements	19-14		50,000.00				50,000.00	3,500.00	46,500.00	
Various Public Improvements	19-15		1,653,000.00				1,653,000.00	1,038,578.42		614,421.58
				<u>\$ 1,000,977.34</u>	<u>\$ 1,180,232.79</u>	<u>\$ 1,714,586.04</u>	<u>\$ 1,703,000.00</u>	<u>\$ 2,509,145.08</u>	<u>\$ 1,369,043.02</u>	<u>\$ 1,720,608.07</u>
		<u>Reference</u>		<u>C</u>	<u>C</u>	<u>C-20</u>	<u>Below</u>	<u>C-2</u>	<u>C</u>	<u>C</u>
						<u>Ref.</u>				
					Deferred Charges - Unfunded	C-6	\$ 1,245,500.00			
					Grant Receivable	C-9	322,000.00			
					Capital Improvement Fund	C-7	135,500.00			
						Above	<u>\$ 1,703,000.00</u>			

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

STATE AID RECEIVABLE

C-9

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 698,855.22
Increased by:		
Award	C-8	322,000.00
		<u>1,020,855.22</u>
Decreased by:		
Cash Receipts	C-2	496,000.00
Balance December 31, 2019	C,Below	<u>\$ 524,855.22</u>

Analysis of Balance

<u>Description</u>	<u>Ordinance Number</u>	<u>Amount</u>
DOT	2019-15	\$ 322,000.00
DOT	2012-09	152,855.22
DOT	2008-16	<u>50,000.00</u>
	Above	<u>\$ 524,855.22</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

SERIAL BONDS PAYABLE

C-10

<u>Purpose</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding Dec. 31, 2019</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Decrease</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>		<u>Dec. 31, 2018</u>		<u>Dec. 31, 2019</u>
General Improvement	2/15/2016	\$ 8,170,000.00	2/15/2020	\$ 425,000.00	1.250%			
			2/15/2021	450,000.00	1.500%			
			2/25/2022	475,000.00	2.000%			
			2/15/2023	480,000.00	2.000%			
			2/15/2024	510,000.00	2.000%			
			2/15/2025	535,000.00	2.000%			
			2/15/2026	565,000.00	2.000%			
			2/15/2027	585,000.00	2.000%			
			2/15/2028	630,000.00	2.000%			
			2/15/2029	630,000.00	2.250%			
			2/15/2030-32	630,000.00	3.000%	\$ 7,540,000.00	\$ 365,000.00	\$ 7,175,000.00
Refunding Bonds	3/22/2017	8,070,000.00	8/15/2020	920,000.00	3.000%			
			8/15/2021	905,000.00	4.000%			
			8/15/2022	900,000.00	4.000%			
			8/15/2023	895,000.00	4.000%			
			8/15/2024	890,000.00	4.000%			
			8/15/2025	880,000.00	4.000%			
			8/15/2026	875,000.00	4.000%			
			8/15/2027	870,000.00	4.000%	8,070,000.00	935,000.00	7,135,000.00
						<u>\$ 15,610,000.00</u>	<u>\$ 1,300,000.00</u>	<u>\$ 14,310,000.00</u>
					<u>Reference</u>	<u>C</u>	<u>C-4</u>	<u>C</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE

C-11

Purpose	Original Issue		Loan Maturities Outstanding Dec. 31, 2019		Interest Rate	Balance Dec. 31, 2018	Decrease	Balance Dec. 31, 2019
	Date	Amount	Date	Amount				
New Jersey Environmental Infrastructure Trust 2000	11/09/2000	\$ 457,500.00	8/01/20	\$ 40,000.00	5.250%	\$ 75,000.00	\$ 48,268.27	\$ 26,731.73
New Jersey Environmental Infrastructure Trust 2001B	11/08/2001	230,000.00	8/01/20 2/01/21	10,000.00 5,000.00	5.000% 5.000%	45,000.00	30,000.00	15,000.00
New Jersey Environmental Infrastructure Trust 2014A	5/21/2014	150,000.00	8/01/20-24 8/01/25-26 8/01/27-31 8/01/32 8/01/33	7,500.00 7,500.00 10,000.00 10,000.00 10,000.00	5.000% 3.000% 3.000% 3.125% 3.250%	130,000.00	7,500.00	122,500.00
						<u>\$ 250,000.00</u>	<u>\$ 85,768.27</u>	<u>\$ 164,231.73</u>
					Reference	C	C-5	C



BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND LOANS PAYABLE

C-12

<u>Purpose</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding Dec. 31, 2019</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Decrease</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>		<u>Dec. 31, 2018</u>		<u>Dec. 31, 2019</u>
New Jersey Environmental Infrastructure Trust 2001B	11/08/2001	\$ 226,237.00	08/01/20	\$ 10,264.68	*			
			08/01/21	9,787.44		\$ 30,316.81	\$ 10,264.69	\$ 20,052.12
New Jersey Environmental Infrastructure Trust 2014A	5/21/2014	457,253.69	2020-2032	23,250.18	*			
			2033	19,849.83		<u>345,352.35</u>	<u>23,250.31</u>	<u>322,102.04</u>
						<u>\$ 375,669.16</u>	<u>\$ 33,515.00</u>	<u>\$ 342,154.16</u>
					<u>Reference</u>	<u>C</u>	<u>C-5</u>	<u>C</u>

\*Interest Free.

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

NEW JERSEY GREEN TRUST LOANS PAYABLE

C-13

<u>Purpose</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding Dec. 31, 2019</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Decrease</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>		<u>Dec. 31, 2018</u>		<u>Dec. 31, 2019</u>
Best Lake Dam Restoration		\$ 750,000.00	2020	\$38,796.65	2.000%	\$439,720.27	\$38,032.20	\$401,688.07
			2021	39,576.46	2.000%			
			2022	40,371.95	2.000%			
			2023	41,183.43	2.000%			
			2024	42,011.21	2.000%			
			2025	42,855.63	2.000%			
			2026	43,717.04	2.000%			
			2027	44,595.75	2.000%			
			2028	45,492.13	2.000%			
			2029	23,087.82	2.000%			
						<u>\$439,720.27</u>	<u>\$38,032.20</u>	<u>\$401,688.07</u>
					<u>Reference</u>	<u>C</u>	<u>C-5</u>	<u>C</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

BOND ANTICIPATION NOTES PAYABLE

C-14

<u>Ordinance Number</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, 2018</u>	<u>Increased By</u>	<u>Decreased By</u>	<u>Balance Dec. 31, 2019</u>
16-04	11/01/2018	11/01/2018	11/01/2019	2.37%	\$ 506,700.00	\$	\$30,000.00	\$ 476,700.00
16-07	11/01/2018	11/01/2018	11/01/2019	2.37%	500,000.00		30,000.00	470,000.00
17-02	11/01/2018	11/01/2018	11/01/2019	2.37%	493,300.00		15,000.00	478,300.00
17-08	11/01/2018	11/01/2018	11/01/2019	2.37%	228,000.00			228,000.00
18-12	11/01/2018	11/01/2018	11/01/2019	2.37%	970,000.00			970,000.00
18-15	11/01/2019	11/01/2019	10/30/2020	2.25%		1,283,000.00		1,283,000.00
19-15	11/01/2019	11/01/2019	10/30/2020	2.25%		1,245,000.00		1,245,000.00
					<u>\$2,698,000.00</u>	<u>\$2,528,000.00</u>	<u>\$75,000.00</u>	<u>\$5,151,000.00</u>
			<u>Reference</u>		<u>C</u>	<u>C-2</u>	<u>C-2</u>	<u>C</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

UNCONFIRMED ASSESSMENT RECEIVABLE

C-15

	<u>Ref.</u>	
Increased by:		
Assessment Receivable	C-11	\$21,506.10
Decreased by:		
Interfund - Due from Current	C-4	<u>2,263.80</u>
Balance December 31, 2019	C	<u>\$19,242.30</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

RESERVE FOR GRANT RECEIVABLE

C-16

	<u>Ref.</u>	
Balance December 31, 2018	C	<u>\$ 50,000.00</u>
Balance December 31, 2019	C	<u><u>\$ 50,000.00</u></u>

RESERVE FOR CAPITAL PROJECTS

C-17

	<u>Ref.</u>	
Balance December 31, 2018	C	<u>\$27,942.00</u>
Balance December 31, 2019	C	<u><u>\$27,942.00</u></u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

RESERVE FOR PAYMENT OF DEBT SERVICE

C-18

	<u>Ref.</u>	
Increased by:		
BAN Premium	C-2	<u>\$45,849.05</u>
Balance December 31, 2019	C	<u><u>\$45,849.05</u></u>

RESERVE FOR UNCONFIRMED ASSESSMENTS RECEIVABLE

C-19

	<u>Ref.</u>	
Increased by:		
Assessment Receivable	C-15	\$21,506.10
Decreased by:		
Interfund - Due from Current	C-4	<u>2,263.80</u>
Balance December 31, 2019	C	<u><u>\$19,242.30</u></u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

SCHEDULE OF CONTRACTS PAYABLE

C-20

	<u>Ref.</u>	
Balance December 31, 2018	C	\$1,714,586.04
Decreased by:		
Transferred to Improvement Authorizations	C-8	<u>1,714,586.04</u>
		<u>\$ -</u>

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

C-21

	<u>Ordinance Number</u>	<u>Balance Dec. 31, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2019</u>
Various Public Improvements and Equipment	18-12	\$ 300.00	\$	\$ 300.00	\$
Various Public Improvements and Equipment	18-15	1,283,450.00		1,283,000.00	450.00
Various Public Improvements	19-15		1,245,500.00	1,245,000.00	500.00
		<u>\$1,283,750.00</u>	<u>\$1,245,500.00</u>	<u>\$2,528,300.00</u>	<u>\$ 950.00</u>
<u>Reference</u>		<u>C</u>	<u>C-6</u>	<u>C-14</u>	<u>C</u>



**PART II**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING**

**ROSTER OF OFFICIALS**

**GENERAL COMMENTS, FINDINGS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2019**

# **SAMUEL KLEIN AND COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and Members  
of the Borough Council  
Borough of Watchung  
Watchung, New Jersey 07069

We have audited the financial statements - regulatory basis of the various funds of the Borough of Watchung, in the County of Somerset, as of and for the years ended December 31, 2019, and the related notes to the financial statements - regulatory basis and have issued our report thereon dated December 4, 2020. These financial statements - regulatory basis have been prepared in conformity with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements - regulatory basis, 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 - regulatory basis, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements - regulatory basis will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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

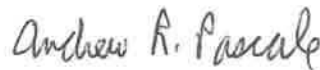
As part of obtaining reasonable assurance about whether the Borough's financial statements - regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

## 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 result of that testing, and not to provide an opinion on the effectiveness of the Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



ANDREW R. PASCALE, CPA, RMA

Newark, New Jersey  
December 4, 2020

## OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under review:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Keith Balla	Mayor	*
Robert Gibbs	Council Member, President of Council	*
Stephen L. Black	Council Member	*
William Nehls	Council Member	*
Lindsay Goodloe	Council Member	*
George Sopko	Council Member	*
Daryl Eisenberg-Knegten	Council Member	*
Thomas Atkins	Administrator to September 1, 2019	*
James Damato	Administrator from September 1, 2019	*
Michelle DeRocco	Municipal Clerk, Deputy Registrar	*
Raymond Murray	Tax Collector to July 1, 2019	*
William J. Hance	Chief Financial Officer, Treasurer, Purchasing Agent Tax Collector from July 1, 2019	*
Albert E. Cruz	Attorney	*
Edward Kerwin	Tax Assessor	*
Jodi Mack	Court Administrator	*
John Richardson	Municipal Court Judge	*
Joseph Cina	Police Chief	*
Thomas Herits	Engineer	*
Edward P. Bennett	Construction Code/Zoning Official	*
Robert Burns	Public Works Manager	*

\*All officials and employees handling and collecting Borough funds are covered by the Borough's insurance policy and blanket bond through the Municipal Excess Liability Joint Insurance Fund.

## GENERAL COMMENTS AND FINDINGS

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

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

It is pointed out that the Borough Council has the responsibility of determining whether the expenditures in any category will exceed the threshold set for the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Borough Attorney should be sought before a commitment is made.

The statutory bidding threshold for the period January 1, 2019 - December 31, 2019 was the sum of \$40,000.00.

Notwithstanding N.J.S.A. 40:11-3a, P.L. 2005, Chapter 51 and N.J.S.A. 19:44A-20.5 known as the "Pay to Play Law" provides that a municipality is prohibited from executing any contract in excess of \$17,500.00, on or after January 1, 2006, to a business entity that made certain reportable contributions to any municipal committee of a political party if a member of that party is in office as a member of the governing body of the municipality when the contract is awarded unless proposals or qualifications are solicited through a fair and open process.

The minutes indicate that bids were requested by public advertising.

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

The minutes indicate that proposals were solicited for "Professional Services" in accordance with N.J.S.A. 19:44:20.5.

It is also noted that certain contracts were awarded under the provisions of N.J.S.A. 40A:11-12, New Jersey State purchasing contracts.

### Purchases, Contracts or Agreements Not Required to be Advertised (N.J.S. 40A:11-6.1)

N.J.S. 40A:11-6.1 states "Except contracts which require the performance of professional services, all contracts or agreements which do not require public advertising for bids and the estimated cost or price exceeds \$6,900.00, at least two quotations as to the cost or price are required. Quotations, whenever practicable, shall be solicited by the contracting agent, and the contract or agreement shall be made with and awarded to the lowest responsible bidder." The Borough has adopted a policy of requesting quotes for all expenditures in excess of \$2,500.00.

### Voucher

#### *Finding 2019-1:*

##### *Condition:*

We noted during our examination that there were vouchers missing required signatures.

##### *Recommendation:*

That prior to processing payments, the Borough should verify that all vouchers contain all the required signatures.

### Collection of Interest on Delinquent Taxes

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

The Governing Body adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Council of the Borough of Watchung that the interest rate on delinquent taxes be fixed as follows:

- 8% per annum up to \$1,500.00 delinquency
- 18% per annum over \$1,500.00 delinquency
- 6% additional penalty for a delinquency over \$10,000.00 if not paid prior to the end of the calendar year

Any taxes not paid when due shall be called delinquent taxes ten days after the due date.

Tests of the Tax Collector's records indicate that interest was collected in accordance with the provisions of the foregoing resolution.

The last tax sale was held on November 8, 2019 and was complete.

### Payroll Account

The propriety of deductions from employee salaries for pensions, Social Security, withholding tax and other purposes from employee payrolls were not verified as part of this audit.

### Revenue Departments

#### *Finding #2019-2:*

##### *Condition:*

N.J.S.A. 40A:5-15 requires all funds be deposited or remitted to the Treasurer within 48 hours of receipt. The following department did not comply with that statute:

- Police Department

##### *Recommendation:*

That all departmental receipts be deposited or remitted to the Treasurer within 48 hours per N.J.S.A. 40A:5-15.

#### *Finding #2019-3:*

##### *Condition:*

We noted during our examination that the cash books of the following revenue departments did not agree with the amounts recorded by the Finance Department:

- Engineering
- Clerk
- Health
- Recreation
- Construction
- Zoning

##### *Recommendation:*

That amounts collected and recorded in the cash books of the various departments agree with the amounts recorded by the Finance Department.

### **Revenue Departments (Continued)**

#### ***Finding #2019-4:***

##### ***Condition:***

We were unable to verify one or more specific fees charged by the Recreation Department and the Police Department..

##### ***Recommendation:***

That the fee ordinance be updated to include all fees charged by the Recreation Department and the Police Department.

### **Special Assessment Trust Fund**

#### ***Finding 2019-5:***

##### ***Condition:***

Our review of the Assessment Receivable Status Report noted that Ordinance #88-20, Block 6601, Lot 5, was listed under "Dummy Account" in the sum of \$4,187.96.

##### ***Recommendation:***

That the "Dummy Account" on the Assessment Receivable Status Report be reviewed and appropriate action taken as to its disposition.

### **Corrective Action Plan**

In accordance with regulations promulgated by the Division of Local Government Services, all municipalities are required to prepare and submit to the Division of Local Government Services a Corrective Action Plan with regard to audit deficiencies. This plan must be approved by formal resolution of the Governing Body and submitted within 60 days from the date the audit is received.

### **Status of Prior Years' Audit Recommendations**

A review was performed on all prior years' recommendations and corrective action was taken on all with the exception of those recommendations marked with an asterisk.

### **Miscellaneous**

A report summarizing collections of Dog License Fees and remittances of State Registration Fees has been prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

The Uniform Construction Code Enforcement Fee Report has been prepared and filed with the New Jersey Department of Community Affairs.

A copy of this report was filed with the New Jersey Division of Local Government Services.

A summary or synopsis of this report was prepared for publication and filed with the Borough Clerk.

## RECOMMENDATIONS

### Voucher:

That prior to processing payments, the Borough should verify that all vouchers contain all the required signatures.

### Revenue Departments:

That all departmental receipts be deposited or remitted to the Treasurer within 48 hours per N.J.S.A. 40A:5-15.

That amounts collected and recorded in the cash books of the various departments agree with the amounts recorded by the financial Department.

That the fee ordinance be updated to include all fees charged by the Recreation Department and the Police Department.

### Special Assessment Trust Fund

That the "Dummy Account" on the Assessment Receivable Status Report be reviewed and appropriate action taken as to its disposition.

★ ★ ★



The foregoing comments and resulting recommendations are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

We shall be pleased to confer on any questions that might arise with respect to any matters in this report.

We desire to express our appreciation for the assistance and courtesies rendered by the Borough officials and employees during the course of the examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "Samuel Klein and Company LLP".

SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

A handwritten signature in cursive script that reads "Andrew R. Pascale".

ANDREW R. PASCALE, CPA, RMA

Newark, New Jersey  
December 4, 2020

