



**BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

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

WITH
REPORT OF INDEPENDENT AUDITORS'

**BOROUGH OF BOUND BROOK
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INDEPENDENT AUDITORS' REPORT

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

Report on the Regulatory-Basis Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Bound Brook, County of Somerset, New Jersey (the “Borough”), as of December 31, 2020 and 2019 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Borough’s basic financial statements, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough’s preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 2, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division that demonstrate compliance with Division's regulatory-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements of the differences between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough, as of December 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough as of December 31, 2020 and 2019 and the results of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2020, and the related notes to the financial statements in accordance with the financial reporting provisions of the Division as described in Note 2 of the financial statements.

Report on Supplementary Information as Required by the Division in Accordance with the Regulatory Basis

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough's basic financial statements. The information included in Part II – Supplementary Schedules and Part III – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis as required by the Division and are not a required part of the financial statements of the Borough. The Part II – Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis as a whole. The schedules and information contained in Part III - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2021 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies



Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Cranford, New Jersey
September 14, 2021



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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements – regulatory basis of the Borough of Bound Brook ("the Borough") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated September 14, 2021, in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the financial reporting provisions of the Division.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free 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* and audit requirements as prescribed by the Division. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough in the General Comments section of the Report of Audit.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies



Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Cranford, New Jersey
September 14, 2021

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**



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

REGULATORY BASIS FINANCIAL STATEMENTS

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

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

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2020</u>	<u>BALANCE DEC. 31, 2019</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2020</u>	<u>BALANCE DEC. 31, 2019</u>
Current Fund:				Current Fund:			
Cash and Investments - Treasurer	A-4	\$ 4,772,456.25	\$ 4,487,603.17	Liabilities:			
Cash - Change Funds	A-5	400.00	400.00	Appropriation Reserves	A-3, A-15	\$ 922,761.66	\$ 864,928.71
Due from State of N.J.				Reserve for Encumbrances	A-3, A-15	373,602.43	208,347.84
Senior Citizens Deductions	A-6	1,746.48	3,746.48	Due to County - Added and Omitted	A-16	3,101.87	6,369.79
Grants Receivable - CRF	A-3	101,330.42		Special District Taxes Payable	A-16	9,858.67	9,858.69
		<u>4,875,933.15</u>	<u>4,491,749.65</u>	Tax Overpayments	A-17	3,700.57	1,690.57
Receivables With Offsetting Reserves:				Prepaid Taxes	A-18	143,877.91	123,886.43
Delinquent Property Taxes Receivable	A-7	555,661.85	403,130.18	Prepaid Refuse Disposal Fees	A-19	36,173.42	33,258.53
Tax Title Liens	A-8	45,118.11	40,667.23	Prepaid-Sewer Rents	A-20	5,453.86	2,046.60
Sewer Rent Fees Receivable	A-10	172,191.24	147,102.34	Accounts Payable	A-21	34,461.98	13,901.46
Refuse Disposal Fees Receivable	A-11	60,774.22	57,323.27	Various Reserves	A-21	248,471.98	459,301.98
Revenue Accounts Receivable	A-9	8,737.90	18,911.79	Emergency Notes Payable	A-14	350,000.00	
Interfunds Receivable	A-12	7,202.69	7,210.57			<u>2,131,464.35</u>	<u>1,723,590.60</u>
		<u>849,686.01</u>	<u>674,345.38</u>	Reserve for Receivables	Reserve	849,686.01	674,345.38
Deferred Charges:				Fund Balance	A-1	3,107,383.65	2,778,159.05
Special Emergency Authorization	A-13	362,914.85	10,000.00			<u>6,088,534.01</u>	<u>5,176,095.03</u>
		<u>362,914.85</u>	<u>10,000.00</u>	Total Current Fund		<u>6,088,534.01</u>	<u>5,176,095.03</u>
Total Current Fund		<u>6,088,534.01</u>	<u>5,176,095.03</u>	Federal and State Grant Fund:			
Federal and State Grant Fund:				Reserve for Encumbrances	A-23	69,516.24	32,000.00
Cash	A-4	166,414.99	203,500.19	Reserve for Grants Appropriated	A-23	1,045,084.44	996,394.79
Grants Receivable	A-22	964,154.13	824,894.60	Grants-Unappropriated	A-24	15,740.00	
		<u>1,130,569.12</u>	<u>1,028,394.79</u>	Due to Current Fund	A-25	228.44	
Total Federal and State Grant Fund		<u>1,130,569.12</u>	<u>1,028,394.79</u>	Total Federal and State Grant Fund		<u>1,130,569.12</u>	<u>1,028,394.79</u>
Grand Total		<u>\$ 7,219,103.13</u>	<u>\$ 6,204,489.82</u>	Grand Total		<u>\$ 7,219,103.13</u>	<u>\$ 6,204,489.82</u>

See Notes to Financial Statements.

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
Fund Balance Utilized	A-1, A-2	\$ 865,943.20	\$ 764,516.00
Miscellaneous Revenues Anticipated	A-2	6,787,419.25	6,511,793.64
Receipts from Delinquent Taxes	A-2	401,572.00	497,133.72
Receipts from Current Taxes	A-2	25,280,716.76	25,119,583.48
Non-Budget Revenue	A-2	273,683.75	824,324.16
Other Credits to Income:			
Interfunds Returned	A-12	7.88	62,891.21
Unexpended Balance of Approp. Reserves	A-15	300,745.55	315,601.64
Accounts Payable Canceled	A-21	7,788.63	
		<hr/>	<hr/>
Total Revenues		33,917,877.02	34,095,843.85
		<hr/>	<hr/>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Within "CAPS":			
Operations	A-3	10,203,318.93	9,879,436.62
Deferred Charges and Statutory Expenditures	A-3	1,413,441.25	1,283,405.00
Excluded from "CAPS":			
Other Operations	A-3	1,404,130.80	1,690,554.16
Capital Improvements	A-3	100,000.00	261,100.00
Municipal Debt Service	A-3	2,348,397.03	1,913,163.07
Deferred Charges	A-3	344,541.25	5,000.00
Transferred to Board of Education	A-3	140,185.00	143,800.00
County Taxes	A-16	3,338,997.80	3,285,349.96
Local District School Tax	A-16	13,657,924.00	13,863,809.00
Special District Taxes	A-16	127,937.70	123,400.41
Added and Omitted Tax Adjustment	A-16	1,750.31	
		<hr/>	<hr/>
Total Expenditures		33,080,624.07	32,449,018.22
		<hr/>	<hr/>
Excess in Revenue		837,252.95	1,646,825.63
Adjustments to Income before Fund Balance:			
COVID Revenue Relief Which is by Statute			
Deferred Charges to Budget of Succeeding Years	A-13	357,914.85	
		<hr/>	<hr/>
Statutory Excess to Fund Balance		1,195,167.80	1,646,825.63
Balance - January 1	A	2,778,159.05	1,895,849.42
		<hr/>	<hr/>
		3,973,326.85	3,542,675.05
Decreased by:			
Utilization as Anticipated Revenue	A-1	865,943.20	764,516.00
		<hr/>	<hr/>
Balance - December 31	A	\$ 3,107,383.65	\$ 2,778,159.05
		<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

Exhibit A-2
Page 1 of 2

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

	REF.	ANTICIPATED 2020 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2020 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Anticipated	A-1	\$ 865,943.20	\$	\$ 865,943.20	\$ 865,943.20	\$ -
Miscellaneous Revenues:						
Licenses:						
Alcoholic Beverages	A-9	40,000.00		40,000.00	40,188.00	188.00
Other	A-9	35,000.00		35,000.00	28,055.00	(6,945.00)
Fees and Permits						
Other	A-9	294,000.00		294,000.00	237,120.42	(56,879.58)
Fines and Costs:						
Municipal Court	A-9	200,000.00		200,000.00	171,109.36	(28,890.64)
Interest and Costs on Taxes	A-9	140,000.00		140,000.00	126,323.05	(13,676.95)
Parking Lot Fees	A-9	190,000.00		190,000.00	66,230.45	(123,769.55)
Interest on Investments and Deposits	A-2	100,000.00		100,000.00	114,765.88	14,765.88
Cable TV Franchise Fee	A-9	120,000.00		120,000.00	118,023.56	(1,976.44)
Refuse Disposal Fees	A-11	550,000.00		550,000.00	579,362.09	29,362.09
Receipts from Delinquent Refuse	A-11	50,000.00		50,000.00	55,686.96	5,686.96
Refuse Stickers	A-9	21,000.00		21,000.00	15,572.00	(5,428.00)
Sewer Charges	A-10	1,500,000.00		1,500,000.00	1,507,327.87	7,327.87
Sewer- Increase of Fees	A-10	130,000.00		130,000.00	186,365.83	56,365.83
Sewer Connection Fees	A-9	170,000.00		170,000.00	171,524.48	1,524.48
Consolidated Municipal Property Tax Relief Act	A-9	62,545.00		62,545.00	62,545.00	-
Energy Receipts Tax	A-9	1,056,165.00		1,056,165.00	1,056,165.00	-
Uniform Construction Code Fees	A-9	290,000.00		290,000.00	317,252.00	27,252.00
Body Armor Replacement Fund	A-12		2,598.36	2,598.36	2,598.36	-
Bullet Proof Vests Grant	A-12		5,499.95	5,499.95	5,499.95	-
Clean Communities Program	A-12		15,911.44	15,911.44	15,911.44	-
Community Facility Disaster Grant	A-12		38,200.00	38,200.00	38,200.00	-
Firefighter/EMS Grant	A-12		1,898.00	1,898.00	1,898.00	-
Local Art Grant	A-12		1,762.00	1,762.00	1,762.00	-
Municipal Alliance	A-12		15,684.07	15,684.07	15,684.07	-
Recycling Tonnage Program	A-12		4,811.90	4,811.90	4,811.90	-
SAFER Grant	A-12		80,000.00	80,000.00	80,000.00	-
Administrative Fees-Off Duty Police	A-9	200,000.00		200,000.00	109,833.00	(90,167.00)
Uniform Fire Safety Act - LEA Rebates	A-9	18,000.00		18,000.00	16,569.56	(1,430.44)
Inspection Fees	A-9	378,000.00		378,000.00	340,413.87	(37,586.13)
Reserve for Municipal Assets	A-21	233,150.00		233,150.00	233,150.00	-
Train Station Rent	A-9	30,000.00		30,000.00	29,100.00	(900.00)
PILOT Payment (Queensgate)	A-9	490,000.00		490,000.00	372,145.15	(117,854.85)
Meridia Payment	A-9	40,000.00		40,000.00	226,225.00	186,225.00
Capital Surplus	A-9	440,000.00		440,000.00	440,000.00	-
Total Miscellaneous Revenues		<u>6,777,860.00</u>	<u>166,365.72</u>	<u>6,944,225.72</u>	<u>6,787,419.25</u>	<u>(156,806.47)</u>
Receipts from Delinquent Taxes		<u>400,000.00</u>		<u>400,000.00</u>	<u>401,572.00</u>	<u>1,572.00</u>
Subtotal General Revenues		<u>8,043,803.20</u>	<u>166,365.72</u>	<u>8,210,168.92</u>	<u>8,054,934.45</u>	<u>(155,234.47)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes		<u>8,737,733.31</u>		<u>8,737,733.31</u>	<u>9,005,857.26</u>	<u>268,123.95</u>
Budget Totals		<u>16,781,536.51</u>	<u>166,365.72</u>	<u>16,947,902.23</u>	<u>17,060,791.71</u>	<u>\$ 112,889.48</u>
Non-Budget Revenues					<u>273,683.75</u>	
Total		<u>\$ 16,781,536.51</u>	<u>\$ 166,365.72</u>	<u>\$ 16,947,902.23</u>	<u>\$ 17,334,475.46</u>	

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

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

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2020 Collections	A-7	\$ 25,113,830.33	
Prepaid Taxes Applied	A-7, A-18	123,886.43	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6, A-7	<u>43,000.00</u>	
	A-1		\$ 25,280,716.76
<u>Allocated to:</u>			
Local District School Tax and County Taxes	A-16		<u>17,124,859.50</u>
			8,155,857.26
Add: Reserve for Uncollected Taxes	A-3		<u>850,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 9,005,857.26</u>
<u>Delinquent Tax Revenue:</u>			
Delinquent Tax Collections	A-2, A-7		<u>\$ 401,572.00</u>
<u>Refuse Disposal Fees</u>			
Refuse Disposal Fees	A-2		\$ 579,362.09
Receipts from Delinquent Refuse Fees	A-2		<u>55,686.96</u>
	A-11		<u>\$ 635,049.05</u>
<u>Sewer Rents</u>			
Sewer Fees	A-2		\$ 1,507,327.87
Sewer - Increase of Fees	A-2		<u>186,365.83</u>
	A-10		<u>\$ 1,693,693.70</u>
<u>Interest on Investments</u>			
Cash Receipts	A-9		\$ 108,643.92
Due from General Capital	A-12		2,782.73
Due from Grant Fund	A-12		228.44
Due from Trust Fund	A-12		3,071.60
Due from Assessment Trust Fund	A-12		22.44
Due from Animal Control Fund	A-12		<u>16.75</u>
	A-2		<u>\$ 114,765.88</u>

See Notes to Financial Statements

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT:</u>						
Administrative & Executive						
Salaries and Wages	\$ 202,246.00	\$ 192,246.00	\$ 173,503.50	\$	\$ 18,742.50	\$
Other Expenses	120,550.00	120,550.00	88,727.81	12,630.97		19,191.22
Codification	11,000.00	11,000.00	4,523.15	401.85		6,075.00
Municipal Clerk						
Salaries and Wages	173,000.00	163,000.00	145,242.75			17,757.25
Other Expenses	13,500.00	13,500.00	8,533.95	1,719.22		3,246.83
Elections						
Other Expenses	3,500.00	3,500.00	1,180.60			2,319.40
Financial Administration						
Salaries and Wages	154,000.00	159,200.00	159,175.34			24.66
Other Expenses	111,736.75	92,386.75	54,720.43	35,308.16		2,358.16
Assessment of Taxes						
Salaries and Wages	42,000.00	42,000.00	41,616.00			384.00
Other Expenses	33,350.00	15,850.00	(1,266.95)	519.05		16,597.90
Collection of Taxes						
Salaries and Wages	75,000.00	50,000.00	41,226.79			8,773.21
Other Expenses	22,950.00	22,950.00	17,505.63	1,524.73		3,919.64
Audit Services						
Other Expenses	45,000.00	35,000.00	22,368.67	167.33		12,464.00
Legal Services and Costs						
Other Expenses	220,000.00	322,500.00	287,153.84	35,303.55		42.61
Engineering Services and Costs						
Other Expenses	25,000.00	20,000.00	10,471.62	2,646.95		6,881.43
Public Buildings and Grounds						
Salaries and Wages	22,280.00	22,280.00	22,028.22			251.78
Other Expenses	102,500.00	108,500.00	90,838.04	11,316.81		6,345.15
Inspection Department						
Salaries and Wages	180,000.00	180,650.00	180,650.00			-
Other Expenses	8,000.00	8,000.00	2,336.22	694.85		4,968.93
Planning Board						
Salaries and Wages	7,000.00	7,000.00	5,705.03			1,294.97
Other Expenses	62,000.00	56,850.00	32,045.79	12,910.76		11,893.45
Shade Tree Commission						
Other Expenses	23,200.00	23,200.00	11,048.00	11,810.00		342.00
Economic Development Program						
Other Expenses	18,000.00	8,000.00	-	1,991.48		6,008.52

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>PUBLIC SAFETY:</u>						
Fire						
Other Expenses	\$ 119,900.00	\$ 119,900.00	\$ 88,750.68	\$ 22,592.58	\$ 8,556.74	\$
Fire Safety Bureau						
Salaries and Wages	117,655.00	72,655.00	66,760.97		5,894.03	
Other Expenses	3,000.00	3,000.00	342.34		2,657.66	
Police						
Salaries and Wages	3,242,991.43	3,227,991.43	3,132,425.10		95,566.33	
Other Expenses	399,533.00	399,533.00	215,082.53	65,591.63	118,858.84	
Municipal Court						
Salaries and Wages	186,070.00	166,070.00	146,526.35		19,543.65	
Other Expenses	23,900.00	23,900.00	11,905.46	2,391.39	9,603.15	
Public Defender						
Other Expenses	15,000.00	15,000.00	15,000.00		-	
Insurance						
Health Benefit Waiver	35,000.00	35,000.00	28,156.77		6,843.23	
Other Insurance	495,000.00	499,000.00	498,833.57	41.17	125.26	
Health Benefits	1,150,000.00	1,174,000.00	1,097,516.22	75,919.46	564.32	
Parking Meter Maintenance						
Salaries and Wages	10,745.00	10,745.00	10,023.58		721.42	
Other Expenses	7,000.00	9,000.00	7,091.29	1,294.65	614.06	
First Aid Organization						
Other Expenses	32,000.00	32,000.00	32,000.00		-	
Emergency Management Services						
Salaries and Wages	10,200.00	10,200.00	9,999.97		200.03	
Other Expenses	6,000.00	6,000.00	1,048.83	630.60	4,320.57	
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	772,000.00	772,000.00	726,286.24		45,713.76	
Other Expenses	90,800.00	90,800.00	70,339.27	2,831.70	17,629.03	
Garbage and Trash						
Other Expenses	541,600.00	541,750.00	541,710.04	0.04	39.92	
Recycling Contingency Fund						
Other Expenses	70,841.75	70,841.75	68,308.56	0.01	2,533.18	
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Other Expenses	83,760.00	91,760.00	55,777.41	7,013.00	28,969.59	
Dog Regulation						
Other Expenses	30,000.00	30,000.00	29,800.82	152.48	46.70	
Senior Citizens						
Other Expenses	3,500.00	3,500.00	-		3,500.00	
Peosha Act - Board of Health						
Other Expenses	500.00	500.00	-		500.00	

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>RECREATION AND EDUCATION:</u>						
Parks and Playgrounds						
Other Expenses	\$ 73,700.00	\$ 73,700.00	\$ 16,231.59	\$ 30,345.17	\$ 27,123.24	\$
Board of Recreation Commissioners						
Salaries and Wages	100,000.00	100,000.00	95,425.26		4,574.74	
Other Expenses	40,650.00	40,650.00	17,089.37	8,513.58	15,047.05	
Celebration of Public Events, Anniversaries, or Holiday						
Other Expenses	2,000.00	15,000.00	807.76		14,192.24	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17):						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	145,160.00	158,660.00	154,120.14		4,539.86	
Other Expenses	3,000.00	3,000.00	2,324.82	675.18	-	
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>UNCLASSIFIED:</u>						
Utilities:						
Gasoline	80,000.00	80,000.00	45,868.27		34,131.73	
Telephones	70,000.00	70,000.00	64,839.64	4,721.93	438.43	
Street Lighting	170,000.00	170,000.00	152,435.92	2,785.52	14,778.56	
Fire Hydrant Services	115,000.00	115,000.00	100,453.00	9,406.28	5,140.72	
Heating/Electric	200,000.00	190,000.00	130,827.12	3,827.85	55,345.03	
Water	40,000.00	40,000.00	28,296.99	3,210.35	8,492.66	
Postage	23,000.00	23,000.00	15,121.26		7,878.74	
Accumulated Sick & Vacation	41,000.00	41,000.00	41,000.00		-	
Salary Adjustment	25,000.00	-	-		-	
Total Operations Within "CAPS"	10,251,318.93	10,203,318.93	9,117,861.57	370,890.28	714,567.08	-
Total Operations Including Contingent Within "CAPS"	10,251,318.93	10,203,318.93	9,117,861.57	370,890.28	714,567.08	-
DETAIL:						
Salaries and Wages	5,506,347.43	5,375,697.43	5,151,715.24	-	223,982.19	-
Other Expenses (Including Contingent)	4,744,971.50	4,827,621.50	3,966,146.33	370,890.28	490,584.89	-

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":						
<u>DEFERRED CHARGES</u>						
Deficit in Unemployment	\$ 2,263.25	\$ 2,263.25	\$ 2,263.25		\$ -	\$ -
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Public Employees' Retirement System	227,612.00	227,612.00	227,612.00		-	
Social Security System (O.A.S.I.)	320,000.00	320,000.00	216,557.22	40.00	103,402.78	
Police and Firemen's Retirement System of NJ	813,566.00	813,566.00	813,566.00		-	
State Unemployment Insurance	15,000.00	40,000.00	40,000.00		-	
Defined Contribution Plan	10,000.00	10,000.00	7,371.51		2,628.49	
Total Def. Charges and Statutory Expend. Municipal Within "CAPS"	<u>1,388,441.25</u>	<u>1,413,441.25</u>	<u>1,307,369.98</u>	<u>40.00</u>	<u>106,031.27</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,639,760.18</u>	<u>11,616,760.18</u>	<u>10,425,231.55</u>	<u>370,930.28</u>	<u>820,598.35</u>	<u>-</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Length of Service Award Program- (LOSAP)	25,000.00	26,000.00	25,900.00		100.00	
Sewerage Authority (40: 14A-8)						
Share of Costs	1,150,000.00	1,150,000.00	1,064,941.26	1,616.35	83,442.39	
COVID 19 Related Programs						
Salaries and Wages	10,000.00	10,000.00	-		10,000.00	
Other Expenses	25,000.00	47,000.00	38,167.34	1,055.80	7,776.86	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Body Armor Replacement Fund		2,598.36	2,598.36		-	
Bullet Proof Vests Grant		5,499.95	5,499.95		-	
Clean Communities Program		15,911.44	15,911.44		-	
Community Facility Disaster Grant		38,200.00	38,200.00		-	
Firefighter/EMS		1,898.00	1,898.00		-	
Local Art Grant		1,762.00	1,762.00		-	
Municipal Alliance - Local Match	4,765.08	20,449.15	19,605.09		844.06	
Recycling Tonnage Program		4,811.90	4,811.90		-	
SAFER Grant		80,000.00	80,000.00		-	
Total Operations Excluded from "CAPS"	<u>1,214,765.08</u>	<u>1,404,130.80</u>	<u>1,299,295.34</u>	<u>2,672.15</u>	<u>102,163.31</u>	<u>-</u>
<u>DETAIL:</u>						
Other Expenses	<u>1,214,765.08</u>	<u>1,404,130.80</u>	<u>1,299,295.34</u>	<u>2,672.15</u>	<u>102,163.31</u>	<u>-</u>

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ -	\$ -	\$ -
Total Capital Improvements Excl. from "CAPS"	100,000.00	100,000.00	100,000.00	-	-	-
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	1,100,000.00	1,100,000.00	1,010,000.00	-	-	90,000.00
Payment of Bond Anticipation Notes and Capital Notes	692,000.00	692,000.00	640,509.15	-	-	51,490.85
Interest on Bonds	404,705.00	404,705.00	404,705.00	-	-	-
Interest on Notes	148,500.00	148,500.00	146,661.59	-	-	1,838.41
Somerset County Improvement Authority:						
Capital Lease Program - After 7/1/07:						
Principal	123,048.61	123,048.61	122,489.90	-	-	558.71
Interest	12,951.39	12,951.39	12,951.39	-	-	-
NJ Environmental Infrastructure Trust						
Principal	10,553.08	10,553.08	10,553.08	-	-	-
Interest	526.92	526.92	526.92	-	-	-
Total Municipal Debt Service - Excl. from "CAPS"	2,492,285.00	2,492,285.00	2,348,397.03	-	-	143,887.97
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>						
Emergency Authorization	5,000.00	5,000.00	5,000.00	-	-	-
Deferred Unfunded	339,541.25	339,541.25	339,541.25	-	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	344,541.25	344,541.25	344,541.25	-	-	-
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	140,185.00	140,185.00	140,185.00	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	4,291,776.33	4,481,142.05	4,232,418.62	2,672.15	102,163.31	143,887.97
Subtotal General Appropriations	15,931,536.51	16,097,902.23	14,657,650.17	373,602.43	922,761.66	143,887.97
Reserve for Uncollected Taxes	850,000.00	850,000.00	850,000.00	-	-	-
Total General Appropriations	\$ 16,781,536.51	\$ 16,947,902.23	\$ 15,507,650.17	\$ 373,602.43	\$ 922,761.66	\$ 143,887.97
				A	A	
Adopted Budget	A-2	\$ 16,781,536.51				
Approp. by N.J.S.A. 40A:4-87	A-2	166,365.72				
		\$ 16,947,902.23				
Cash Disbursed	A-4		\$ 14,587,614.87			
Grants Receivable - COVID Relief Fund	A		(101,330.42)			
Reserve for Uncollected Taxes	A-2		850,000.00			
Deferred Charges	A-13		5,000.00			
Reserve for Federal and State Grants - Appropriated	A-12		166,365.72			
			\$ 15,507,650.17			

See Notes to Financial Statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31,2020</u>	<u>BALANCE</u> <u>DEC. 31,2019</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31,2020</u>	<u>BALANCE</u> <u>DEC. 31,2019</u>
Assessment Trust Fund:				Assessment Trust Fund:			
Cash and Investments - Treasurer	B-2, B-5	\$ 15,633.90	\$ 15,611.46	Overpayments	B-5	\$ 2,254.06	\$ 2,254.06
Assessments Receivable	B-3	<u>3,641.64</u>	<u>3,641.64</u>	Reserve for Assessments	B-4	445.74	445.74
				Due to Current Fund	B-5	22.44	-
				Fund Balance	B-1	<u>16,553.30</u>	<u>16,553.30</u>
Total Assessment Trust Fund		<u>19,275.54</u>	<u>19,253.10</u>	Total Assessment Trust Fund		<u>19,275.54</u>	<u>19,253.10</u>
Animal Control Fund:				Animal Control Fund:			
Cash and Investments - Treasurer	B-5	13,578.36	6,210.44	Due to the State of NJ	B-5	1.20	30.60
				Due to Current Fund	B-5	16.75	
				Due to Trust Other Fund	B-5		6.50
				Reserve for Animal Control Expenditures	B-5	<u>13,560.41</u>	<u>6,173.34</u>
Total Animal Control Fund		<u>13,578.36</u>	<u>6,210.44</u>	Total Animal Control Fund		<u>13,578.36</u>	<u>6,210.44</u>
Other Funds:				Other Funds:			
Cash and Investments - Treasurer	B-5	2,215,733.84	2,600,816.47	Reserve for:			
Due from Animal Control	B-5		6.50	Miscellaneous Trust	B-5	2,253,988.44	2,458,650.98
Grants Receivable - Coronavirus Relief Fund	B-5	<u>43,286.58</u>		Accounts Payable	B-5	879.65	879.65
				Due to Current Fund	B-5	4,152.33	7,210.57
				Due to General Capital Fund	B-5		<u>134,081.77</u>
Total Other Funds		<u>2,259,020.42</u>	<u>2,600,822.97</u>	Total Other Funds		<u>2,259,020.42</u>	<u>2,600,822.97</u>
Grand Total		\$ <u>2,291,874.32</u>	\$ <u>2,626,286.51</u>	Grand Total		\$ <u>2,291,874.32</u>	\$ <u>2,626,286.51</u>

See Notes to Financial Statements

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2020 and 2019	B	\$ <u>16,553.30</u>

See Notes to Financial Statements

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

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

<u>ASSETS</u>	<u>REF.</u>	BALANCE <u>DEC. 31, 2020</u>	BALANCE <u>DEC. 31, 2019</u>
Cash and Investments - Treasurer	C- 2	\$ 1,934,236.37	\$ 2,050,867.01
Grants Receivable	C- 4	213,423.75	363,983.75
Developer Contribution Receivable	C- 5	200,000.00	200,000.00
Interfund Loans Receivable	C-15		150,000.00
Deferred Charges to Future Taxation:			
Funded	C- 7	16,891,136.76	13,373,975.70
Unfunded	C- 8	4,774,546.43	8,550,865.55
Deferred Charges:			
To be raised in subsequent years' budget	C-18		339,541.25
 Total		<u><u>\$ 24,013,343.31</u></u>	<u><u>\$ 25,029,233.26</u></u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds Payable	C- 9	\$ 16,582,000.00	\$ 12,932,000.00
NJ Environmental Infrastructure Loan Payable	C-10	42,371.08	52,720.12
Bond Anticipation Notes	C-11	2,655,000.00	6,024,577.00
SCIA Loans Payable	C-14	266,765.68	389,255.58
Interfund Loans Payable	C-15	2,782.73	15,918.23
Reserve for Encumbrances	C-12	559,367.30	2,341,778.43
Improvement Authorizations:			
Funded	C-12	559,922.19	76,071.96
Unfunded	C-12	2,151,461.56	1,735,847.71
Capital Improvement Fund	C-13	90,779.74	169,079.74
Reserve for Payment of Debt Service	C- 6	113,500.00	10,125.00
Reserve for Grove Street - NJ American Water	C-16	2,659.95	2,659.95
Reserve for NJ American Water	C-16	172,127.50	172,127.50
Reserve for Codrington Place	C-16	62,441.50	62,441.50
Reserve for Preliminary Expenses	C-16	2,250.00	
Reserve for Grants Receivable	C-17	181,423.75	363,983.75
Fund Balance	C- 1	568,490.33	680,646.79
 Total		<u><u>\$ 24,013,343.31</u></u>	<u><u>\$ 25,029,233.26</u></u>
 Bonds and Notes Authorized But Not Issued	C-19	<u><u>\$ 2,119,546.43</u></u>	<u><u>\$ 3,250,356.43</u></u>

See Notes to Financial Statements

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE- REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 680,646.79
Increased by:		
Premium on Bonds and BAN's	C-2	326,200.00
Other Cash Receipts	C-2	<u>1,643.54</u>
		1,008,490.33
Decreased by:		
Appropriated to 2020 Budget Revenue	C-2	<u>440,000.00</u>
Balance - December 31, 2020	C	<u><u>\$ 568,490.33</u></u>

See Notes to Financial Statements

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

	BALANCE <u>DEC 31, 2020</u>	BALANCE <u>DEC 31, 2019</u>
General Fixed Assets:		
Land	\$ 10,765,500.00	\$ 10,765,500.00
Buildings	2,383,400.00	2,383,400.00
Machinery and Equipment	<u>6,879,212.00</u>	<u>5,811,490.11</u>
Total Governmental Fixed Assets	<u>\$ 20,028,112.00</u>	<u>\$ 18,960,390.11</u>
Investment in Governmental Fixed Assets	<u>\$ 20,028,112.00</u>	<u>\$ 18,960,390.11</u>

See Notes to Financial Statements

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

The accounting policies of the Borough conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey (the “Division”). 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 accounts for its financial transactions through the following separate funds:

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

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. The Borough’s Assessment Trust Fund, Animal Control Trust Fund and Trust-Other Fund are accounted for within the Trust Fund pursuant to statutory and regulatory requirements. In addition, pursuant to the provisions of N.J.S.A. 40A: 4-39, the Borough has requested and received regulatory approval to account for the financial transactions of a variety of restricted revenues, escrow funds and donations within its Trust-Other Fund.

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

B. Description of Funds (Cont'd.)

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

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

C. Basis of Accounting

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

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

C. Basis of Accounting (Cont'd.)

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. An appropriation reserve refers to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. Expenditures for compensated absences, i.e. accumulations of earned but unused vacations, sick leave and other paid time off, are recorded in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in an enterprise (Utility) fund on a full accrual basis.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of over-expenditures and emergency appropriations. Over-expenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over-expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of over-expenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain operating transfers between funds, such as transfers from the Current Fund to a trust fund to finance an actual or anticipated deficit, and transfers from the Current Fund to the Trust Funds or General Capital Fund to fund reserves for future expenditures are required to be included in the Borough's annual budgets as budget appropriations. Expenditures are recorded upon the adoption of the budget for any legally required transfers, and upon the determination of availability of funds for any discretionary transfers. Similarly, transfers of fund balances from other funds to the Current Fund to finance operating costs are required to be included in the Borough's annual budgets as anticipated revenues. Revenues are realized upon receipt or as a reduction to amounts (net) otherwise due to the originating fund. Under GAAP, operating transfers are not recognized as expenditures.

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

C. Basis of Accounting (Cont'd.)

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

Interfunds- Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve, or require a reduction to fund balance, upon the advancement of interfund loans by governmental funds.

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

Governmental Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. GAAP would require the capitalization and depreciation of governmental fixed assets in the entity-wide financial statements only.

N.J.A.C. 5:30-5.6 established a mandate for fixed assets accounting by municipalities, effective December 31, 1985. The Borough performed a physical inventory and assessment of fixed assets for the year ended December 31, 2020.

Disclosures About OPEB Liabilities – With the implementation of GASB 75 for disclosure purposes, the Borough has included information for OPEB (Postemployment Benefits Other Than Pensions) liabilities relating to healthcare benefits provided to its retirees within the Notes to the Financial Statements and the accompanying required supplementary information, if applicable. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the OPEB liability of the defined benefit healthcare plans in which its retirees are enrolled. GAAP requires the recognition of the OPEB liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements. The audited financial information related to OPEB liabilities is released annually by the State’s Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the State of New Jersey Department of Community Affairs, Division of Local Government Services (DLGS) issued Local Finance Notice 2021-10 on May 26, 2021. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the DLGS discretion to permit the most recent available audited GASB 75 financial information to be incorporated into the audited financial statements. As a result, the latest available audited information is presented in Note 11 to the financial statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

C. Basis of Accounting (Cont'd.)

Disclosures About Pension Liabilities -The Borough has included information relating to its proportionate shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 10 to the financial statements and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements. The audited financial information related to pensions is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the State of New Jersey Department of Community Affairs, Division of Local Government Services (DLGS) issued Local Finance Notice 2021-10 on May 26, 2021. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the DLGS discretion to permit the most recent available audited GASB 68 financial information to be incorporated into the audited financial statements. As a result, the latest available audited information is presented in Note 10 to the financial statements.

Grants Programs- Federal and State Grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Length of Service Awards Program (LOSAP) - Financial reporting standards established by the DLGS exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the Borough's LOSAP program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the members of the Borough's volunteer first responder organizations, is not reported as part of the Borough's basic financial statements. As the LOSAP Plan's assets remain the property of the Borough until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Borough's basic financial statements.

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

Cash and Cash Equivalents and Short-term Investments - The carrying amount approximates fair value because of the short maturity of those instruments.

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 91 *Conduit Debt Obligations* in May 2019. 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 (Cont'd.) The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Due to the COVID-19 pandemic GASB 95 which was issued in May 2020 has extended the implementation date to December 15, 2021. Earlier application is encouraged.

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

GASB issued Statement No. 93 *Replacement of Interbank Offered Rates* in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Due to the COVID-19 pandemic GASB 95 which was issued in May 2020 has extended the implementation date for one year. Earlier application is encouraged.

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

GASB issued Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance” in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards (Cont'd.)

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

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

The Borough does not prepare its financial statements in accordance with Generally Accepted Accounting Principles. The adoption of these new standards will not adversely affect the reporting of the Borough’s financial condition.

Use of Estimates – The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough’s financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2019 financial statements to conform with classifications used in fiscal year 2020.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Summary of Municipal Debt for Capital Projects

	YEAR 2020	YEAR 2019
<u>Issued:</u>		
General:		
Serial Bonds	\$ 16,582,000.00	\$ 12,932,000.00
Bond Anticipation Notes	2,655,000.00	6,024,577.00
Environmental Infrastructure		
Trust & Fund Loans	42,371.08	52,720.12
SCIA Loans - Capital Leases	266,765.68	389,255.58
Total Debt Issued	19,546,136.76	19,398,552.70
<u>Authorized but not Issued:</u>		
General:		
Bonds & Notes	2,119,546.43	3,250,356.43
Total Authorized but not Issued	2,119,546.43	3,250,356.43
Bonds & Notes Issued and Authorized but not Issued	\$ 21,665,683.19	\$ 22,648,909.13

Summarized below is the Borough's debt which was outstanding at December 31, 2020 and 2019:

	YEAR 2020	YEAR 2019
<u>General Improvement Debt</u>		
\$9,747,000, 2016 General Improvement Bonds, due in annual installments of \$447,000 to \$650,000 through 2034, interest at 4.00% to 3.00%	\$ 8,272,000.00	\$ 8,692,000.00
\$4,830,000, 2016 Refunding Bonds, due in annual installments of \$615,000 to \$600,000 through 2026, interest at 4.00%	3,650,000.00	4,240,000.00
\$4,660,000, 2020 General Improvement Bonds, due in annual installments of \$260,000 to \$500,000 through 2032, interest at 4.00% to 2.00%	4,660,000.00	
Environmental Infrastructure Trust Loan 2.0% Interest, Final Maturity 2024	12,365.23	15,212.85
Environmental Infrastructure Fund Loan 0.0% Interest, Final Maturity 2024	30,005.85	37,507.27
Bond Anticipation Notes, Due April 17, 2020 2.50% Rate of Interest		2,620,527.00
Bond Anticipation Notes, Due August 7, 2020 2.00% Rate of Interest		3,404,050.00
Bond Anticipation Notes, Due August 20, 2021 0.75% Rate of Interest	2,655,000.00	

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

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

	YEAR 2020	YEAR 2019
Somerset County Improvement Authority Loan 3.477% Rate of Interest, Final Maturity 2023	\$ 163,270.44	\$ 214,078.04
Somerset County Improvement Authority Loan 3.498% Rate of Interest, Final Maturity 2021	45,279.77	89,029.20
Somerset County Improvement Authority Loan 3.498% Rate of Interest, Final Maturity 2022	58,215.47	86,148.34
Total General Improvement	\$ 19,546,136.76	\$ 19,398,552.70

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

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

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2020</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 23,330,000.00	\$ 23,330,000.00	\$ -
General Debt	<u>21,665,683.19</u>	<u>113,500.00</u>	<u>21,552,183.19</u>
	<u>\$ 44,995,683.19</u>	<u>\$ 23,443,500.00</u>	<u>\$ 21,552,183.19</u>
Net Debt of 40A:2-2 as amended	\$ 21,552,183.19 \$827,178,960.00	Divided by Equalized Valuation Basis per N.J.S.A. = <u>2.606%</u>	
<u>2019</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 24,160,000.00	\$ 24,160,000.00	\$ -
General Debt	<u>22,648,909.13</u>	<u>724,067.88</u>	<u>21,924,841.25</u>
	<u>\$ 46,808,909.13</u>	<u>\$ 24,884,067.88</u>	<u>\$ 21,924,841.25</u>
Net Debt of 40A:2-2 as amended	\$ 21,924,841.25 \$808,421,122.33	Divided by Equalized Valuation Basis per N.J.S.A. = <u>2.712%</u>	

The Borough's borrowing power under 40A: 2-6 as amended, at December 31, was as follows:

	<u>2020</u>	<u>2019</u>
3 1/2% of Equalized Valuation Basis	\$ 28,951,263.60	\$ 28,294,739.28
Municipal Debt	<u>21,552,183.19</u>	<u>21,924,841.25</u>
Remaining Borrowing Power	<u>\$ 7,399,080.41</u>	<u>\$ 6,369,898.03</u>

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

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

Calendar Year	General		General
	Principal	Interest	Total
	2021	\$ 1,322,000.00	\$ 481,844.86
2022	1,345,000.00	432,775.00	1,777,775.00
2023	1,370,000.00	383,675.00	1,753,675.00
2024	1,420,000.00	330,975.00	1,750,975.00
2025	1,445,000.00	282,125.00	1,727,125.00
2026	1,480,000.00	238,075.00	1,718,075.00
2027	1,150,000.00	201,218.75	1,351,218.75
2028	1,150,000.00	167,000.00	1,317,000.00
2029	1,150,000.00	141,968.75	1,291,968.75
2030	1,150,000.00	116,125.00	1,266,125.00
2031	1,150,000.00	88,250.00	1,238,250.00
2032	1,150,000.00	58,750.00	1,208,750.00
2033	650,000.00	29,250.00	679,250.00
2034	650,000.00	9,750.00	659,750.00
Total	<u>\$ 16,582,000.00</u>	<u>\$ 2,961,782.36</u>	<u>\$ 19,543,782.36</u>

Year	SCIA Loans		Environmental Infrastructure Trust		Grand
	Principal	Interest	Principal	Interest	Total
	2021	\$ 126,562.92	\$ 7,260.98	\$ 10,439.03	\$ 436.94
2022	83,908.84	3,849.02	10,535.68	340.28	1,876,408.82
2023	56,293.92	1,957.39	10,641.27	234.70	1,822,802.28
2024			10,755.10	121.04	1,761,851.14
2025					1,727,125.00
2026					1,718,075.00
2027					1,351,218.75
2028					1,317,000.00
2029					1,291,968.75
2030					1,266,125.00
2031					1,238,250.00
2032					1,208,750.00
2033					679,250.00
2034					659,750.00
Total	<u>\$ 266,765.68</u>	<u>\$ 13,067.39</u>	<u>\$ 42,371.08</u>	<u>\$ 1,132.96</u>	<u>\$ 19,867,119.47</u>

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

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

D. Bond Anticipation Notes (BANs) and Special Emergency Notes (SENs)

The Borough had outstanding BAN's and SEN's at December 31, 2020 as follows:

	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount of</u> <u>Notes</u>	<u>Interest</u> <u>Rate</u>
BAN's	08/21/20	08/20/21	\$ 2,655,000.00	0.75%
SEN's	12/22/20	12/21/21	350,000.00	0.56%

E. Capital Leases

The Borough has acquired vehicles and equipment through a leasing program sponsored by the Somerset County Improvement Authority. Significant terms and payment schedule relating to the leases are as follows:

	<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
<u>2017 Lease Program:</u>				
Date:	11/30/2018			
Amount:	\$263,178.37			
Interest Rate:	3.477%			
	11/30/21	\$ 58,251.31	\$ 52,574.23	\$ 5,677.08
	11/30/22	58,251.31	54,402.29	3,849.02
	11/30/23	58,251.31	56,293.92	1,957.39
		<u>\$ 174,753.93</u>	<u>\$ 163,270.44</u>	<u>\$ 11,483.49</u>
<u>2018 Lease Program:</u>				
Date:	11/30/2018			
Amount:	\$131,300.00			
Interest Rate:	3.498%			
	11/30/21	\$ 46,863.67	\$ 45,279.77	\$ 1,583.90
		<u>\$ 46,863.67</u>	<u>\$ 45,279.77</u>	<u>\$ 1,583.90</u>
<u>2019 Lease Program:</u>				
Date:	11/28/2019			
Amount:	\$84,975.99			
Interest Rate:	2.774%			
	11/28/21	\$ 30,326.31	\$ 28,708.92	\$ 1,617.39
	11/28/22	30,326.31	29,506.55	819.76
		<u>\$ 60,652.62</u>	<u>\$ 58,215.47</u>	<u>\$ 2,437.15</u>
Total		<u>\$ 282,270.22</u>	<u>\$ 266,765.68</u>	<u>\$ 15,504.54</u>

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 4: GOVERNMENTAL FIXED ASSETS

At December 31, 2020 and 2019, the Borough's governmental fixed assets consisted of as follows:

	<u>Dec. 31, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2020</u>
Land & Land Improvements	\$ 10,765,500.00	\$ -	\$ -	\$ 10,765,500.00
Buildings	2,383,400.00			2,383,400.00
Machinery and Equipment	<u>5,811,490.11</u>	<u>2,373,621.00</u>	<u>1,305,899.11</u>	<u>6,879,212.00</u>
	<u>\$ 18,960,390.11</u>	<u>\$ 2,373,621.00</u>	<u>\$ 1,305,899.11</u>	<u>\$ 20,028,112.00</u>

Note 5: DEFERRED COMPENSATION TRUST FUND

The Borough Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and the provisions of N.J.S.A. 43:15B-1. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more the types of investments permitted under the governing regulations. The Borough is the administrator of the plan and the Borough has contracted with Equitable Life and VALIC to manage the plan assets.

Note 6: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2020 and 2019 which were appropriated and included as anticipated revenue in their respective funds for the fiscal years ending December 31, 2020 and 2019 were as follows:

	Fund Balance	Utilized in
	<u>December 31, 2020</u>	<u>Succeeding</u>
Current Fund	\$ 3,107,383.65	Year's Budget
		\$ 800,000.00
	Fund Balance	Utilized in
	<u>December 31, 2019</u>	<u>Succeeding</u>
Current Fund	\$ 2,778,159.05	Year's Budget
		\$ 865,943.20

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 7: DEFERRED CHARGES TO BE RAISED IN FUTURE BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2020 and 2019, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance</u> <u>December 31, 2020</u>	<u>Raised in</u> <u>2021 Budget</u>	<u>Balance to</u> <u>Succeeding Years</u>
Current Fund:			
Emergency Appropriation	\$ 5,000.00	\$ 5,000.00	\$ -
Special Emergency-COVID	357,914.85		357,914.85
	<u>Balance</u> <u>December 31, 2019</u>	<u>Raised in</u> <u>2020 Budget</u>	<u>Balance to</u> <u>Succeeding Years</u>
Current Fund:			
Emergency Appropriation	\$ 10,000.00	\$ 5,000.00	\$ 5,000.00

Note 8: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Borough deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

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

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

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SOMERSET COUNTY, NEW JERSEY

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

Note 8: DEPOSITS AND INVESTMENTS (CONT'D.)

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

Based upon GASB criteria, the Borough considers cash and cash equivalents to include change funds, demand deposits, money market accounts and short term investments, including cash management money market funds, and, depending upon the length of the investment maturity, any direct and general obligation of the United States of America or agency or certificates of deposit issue any bank or national banking association if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Depository Protection Act.

At December 31, 2020 and 2019, the Borough's cash, cash equivalents and investments are summarized along with an analysis of the depository insurance balances, as follows:

	<u>2020</u>	<u>2019</u>
Cash (Demand Accounts)	\$ 9,118,053.71	\$ 9,364,608.74
Change Funds (On-Hand)	<u>400.00</u>	<u>400.00</u>
	<u>\$ 9,118,453.71</u>	<u>\$ 9,365,008.74</u>

The Borough has adopted the disclosure provisions of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments, as follows:

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Based upon the insured balances provided by FDIC and NJGUDPA coverages, none of the Borough's \$9,198,819.27 bank balance is considered exposed to custodial credit risk. As of December 31, 2020, the Borough had no funds on deposit with the New Jersey Cash Management Fund.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 8: DEPOSITS AND INVESTMENTS (Cont'd.)

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough’s investment policy.
- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

<u>Depository Account</u>	<u>2020</u> <u>Bank Balance</u>	<u>2019</u> <u>Bank Balance</u>
Insured - FDIC	\$ 500,000.00	\$ 500,000.00
Insured - NJGUDPA (N.J.S.A. 17:9-43.1)	<u>8,734,365.94</u>	<u>9,186,101.80</u>
 Total	 <u>\$ 9,234,365.94</u>	 <u>\$ 9,686,101.80</u>

The Borough does not have a deposit policy for custodial credit risk. Based upon existing deposit and investment strategies, the Borough’s exposure is mitigated to credit risk, concentration of credit risk, interest rate and foreign currency risk and associated credit risk.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Borough or bonds or other obligations of school districts of which the Borough is a part and within which the school district is located;

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 8: DEPOSITS AND INVESTMENTS (Cont'd.)

5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

Note 9: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers.

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 9: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D.)

If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 10: PENSION PLANS

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

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

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2020 and 2019:

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

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

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

Payrolls and Covered Wages:

For the years ended December 31, 2020 and 2019 the Borough's total payroll for all employees was \$5,762,969 and \$6,206,001, respectively. Total PERS covered payroll was \$1,679,830 and \$1,531,465, respectively. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. However, due to systems limitations, covered payroll includes only "pensionable" payroll as reported to PERS.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, Chapter 78, the member contribution rate was 7.50% in State fiscal year 2020. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount. The Borough's cash basis contributions to the Plan for the years ended December 31, 2020 and 2019 were \$227,612 and \$222,592, respectively. Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Normal Cost	\$ 18,088	\$ 23,882
Amortization of Accrued Liability	<u>167,381</u>	<u>158,541</u>
Total Pensions	185,469	182,423
NCGI Premiums	<u>9,994</u>	<u>8,690</u>
Total Regular Billing	195,463	191,113
LTD Expense	818	846
Additional Billings:		
Ch 19, P.L. 2009	10,164	10,082
ERI #1	12,583	12,217
ERI #2	<u>8,584</u>	<u>8,334</u>
Total PERS Payment	<u>\$ 227,612</u>	<u>\$ 222,592</u>

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

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

When applicable, ERI #1 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in the 1991 early retirement program. The repayment term is 27 years, commencing with bills due on April 1, 1995. The Borough did not participate in the ERI #1 program.

When applicable, ERI #2 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in the 1993 early retirement program. A variety of repayment terms were offered as part of this retirement incentive program. The Borough did not participate in the ERI #1 program.

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

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

The following presents the PERS reported liability for its Non-State Employer Member Group, the Borough's proportionate share of the net pension liability for its Non-State Employer Group that is attributable to the Borough and its allocation percentage for the reported periods June 30, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
PERS Non-State Employer Member Group Liability	\$ 16,307,384,832	\$ 18,018,482,972
Borough Proportionate Share of the		
PERS Non-State Employer Member Group Liability	3,348,430	3,620,756
Borough Proportionate Share Percentage	0.020533%	0.020095%

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

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

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

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

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

Discount Rate – The discount rate used to measure the total pension liabilities of PERS was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% decrease (6.00%)	At current discount rate (7.00%)*	At 1% increase (8.00%)
State	\$ 25,353,758,472	\$ 22,223,967,525	\$ 19,576,310,991
Local	<u>20,689,699,233</u>	<u>16,435,616,426</u>	<u>12,825,910,903</u>
PERS Plan Total	<u>\$ 46,043,457,705</u>	<u>\$ 38,659,583,951</u>	<u>\$ 32,402,221,894</u>
Borough's proportionate share of the net pension liability (Local)	<u>\$ 4,221,930</u>	<u>\$ 3,348,430</u>	<u>\$ 2,607,242</u>

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

Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2020 is as follows:

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

At December 31, 2020, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources, if GASB 68 was recognized:

	<u>2020</u> Deferred Outflows of Resources	<u>2020</u> Deferred Inflows of Resources
Difference between expected and actual experience	\$ 60,969	\$ 11,841
Changes in assumptions	108,627	1,402,019
Net difference between projected and actual earnings on pension plan investments	114,452	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	402,606	
Borough contributions subsequent to the measurement date	227,612	
	\$ 914,266	\$ 1,413,860

The \$227,612 is reflected above as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions would be recognized in pension expense as follows if GASB 68 was recognized:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ (189,549)
2022	(268,549)
2023	(179,234)
2024	(72,534)
2025	(17,340)
Total	\$ (727,206)

Additional Information:

Collective balances at June 30, 2020 - PERS Local Group	
Collective deferred outflows of resources	\$ 2,347,583,337
Collective deferred inflows of resources	7,849,949,467
Collective net pension liability - Local group	16,435,616,426
Borough's Proportion	0.020533%

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

State Contribution Payable Dates

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

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

Receivable Contributions

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

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

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

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

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

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

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

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

For the years ended December 31, 2020 and 2019 the Borough's total payroll for all employees was \$5,762,969 and \$6,206,001, respectively. Total PFRS covered payroll was \$2,871,436 and \$2,726,953, respectively. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. However, due to systems limitations, covered payroll includes only "pensionable" payroll as reported to PFRS.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was 10% in State fiscal year 2020. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended June 30, 2020 and 2019 were \$813,566 and \$755,741, respectively.

Borough Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

Borough payments to PFRS for the years ending December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Normal Cost	\$ 239,691	\$ 215,883
Amortization of Accrued Liability	470,455	445,797
	<hr/>	<hr/>
Total Pensions	710,146	661,680
NCGI Premiums	34,303	26,127
	<hr/>	<hr/>
Total Regular Billing	744,449	687,807
Additional Billings:		
Ch 19, P.L. 2009	34,488	34,314
ERI #1	34,629	33,620
	<hr/>	<hr/>
Total PFRS Payment	<u>\$ 813,566</u>	<u>\$ 755,741</u>

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

The following represents the membership tiers for PFRS:

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

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

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

The following presents the PFRS reported liability for its Non-State Employer Member Group, the Borough's proportionate share of the net pension liability for its Non-State Employer Group that is attributable to the Borough and its allocation percentage for the reported periods June 30, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
PFRS Non-State Employer Member Group Liability	\$ 12,921,318,904	\$ 12,237,818,793
Borough Proportionate Share of the		
PFRS Non-State Employer Member Group Liability	10,153,852	9,019,242
Borough Proportionate Share Percentage	0.078582%	0.073700%

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

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

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and a 102.5% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females, with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and a 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Components of Net Pension Liability – The components of the collective net pension liability of the participating employers for PFRS, including the State of New Jersey, at June 30, 2020 is as follows:

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% decrease (6.00%)	At current discount rate (7.00%)*	At 1% increase (8.00%)
State	\$ 4,998,864,901	\$ 4,299,009,951	\$ 3,717,851,603
Local	<u>19,849,370,425</u>	<u>14,926,648,722</u>	<u>10,837,952,259</u>
PFRS Plan Total	<u>\$ 24,848,235,326</u>	<u>\$ 19,225,658,673</u>	<u>\$ 14,555,803,862</u>
Borough's proportionate share of the net pension liability (Local)	<u>\$ 14,022,233</u>	<u>\$ 10,153,852</u>	<u>\$ 6,940,866</u>

*- Local Share includes \$2,005,329,818 of Special Funding Situation allocated to the State of NJ as a non-employer.

At December 31, 2020, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources, if GASB 68 was recognized:

	<u>2020</u> Deferred Outflows of Resources	<u>2020</u> Deferred Inflows of Resources
Difference between expected and actual experience	\$ 102,368	\$ 36,441
Changes in assumptions	25,552	2,722,187
Net difference between projected and actual earnings on pension plan investme	595,368	
Changes in proportion and differences between Borough's contributions and proportionate share of contributions	1,141,506	518,855
Borough contributions subsequent to the measurement date	<u>813,566</u>	
	<u>\$ 2,678,360</u>	<u>\$ 3,277,483</u>

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

The \$813,566 is reflected above as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions would be recognized in pension expense as follows if GASB 68 was recognized:

<u>Year ending</u> <u>December 31.</u>	<u>Amount</u>
2021	\$ (852,456)
2022	(498,484)
2023	(158,281)
2024	87,988
2025	<u>8,544</u>
Total	<u>\$ (1,412,689)</u>

Collective balances at June 30, 2020 - PFRS Local Group

Collective deferred outflows of resources	\$ 1,601,195,680
Collective deferred inflows of resources	4,191,274,402
Collective net pension liability - Local group	14,926,648,722

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

State Contribution Payable Dates

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

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

Receivable Contributions

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

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

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

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

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the year ended June 30, 2020 was \$154,309,000. The portion of that contribution allocated to the Borough was \$121,259 or 0.0785821611%. The June 30, 2020 State special funding situation pension expense of \$227,263,993 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$2,005,329,818 at June 30, 2020 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Borough's allocated shares of the special funding situation pension expense for the year ended June 30, 2020 and its share of the special funding situation NPL at that date were \$178,589 and \$1,575,832, respectively.

C. Defined Contribution Retirement System (DCRP)

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

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually.

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

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

There were no active Borough members in the DCRP plan for the year ended December 31, 2020.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 10: PENSION PLANS (CONT'D)

D. Cumulative PERS and PFRS Employer Allocations

State of New Jersey Pension Systems' Schedules of Employer Allocations:

	<u>Employer Contributions</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 195,462	\$ 3,620,756	\$ 974,259	\$1,431,806	\$ 240,500
PFRS	<u>744,449</u>	<u>9,019,242</u>	<u>1,099,702</u>	<u>3,923,136</u>	<u>784,290</u>
Total	<u>\$ 939,911</u>	<u>\$ 12,639,998</u>	<u>\$ 2,073,961</u>	<u>\$5,354,942</u>	<u>\$ 1,024,790</u>

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS – HEALTH CARE BENEFITS

General Information about the OPEB Plan

Plan Description - 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*; 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>.

Benefits Provided - The Plan provides medical and prescription drug coverage to retirees and their 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.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS – HEALTH CARE BENEFITS

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

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

Nonspecial Funding Situation:

The State of New Jersey's Total OPEB Liability for nonspecial funding situation at June 30, 2019, respectively, was as follows:

	<u>2019</u>
Net OPEB Liability - Nonspecial Funding Situation	<u>\$ 8,020,352,361</u>

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Borough was \$8,264,286 June 30, 2019. These allocated liabilities represent 0.075113% of the State's Total Non-employer OPEB Liability for June 30, 2019. There were a total of 84 plan members for 2019.

Components of Net OPEB Liability – The components of the collective net OPEB liability of the participating employers in the Plan, are as follows:

<i>Total State of N.J. Special Funding Non-employer, Nonspecial Funding Situation Net OPEB Liability:</i>	
	<u>2019</u>
Total OPEB Liability	\$ 13,819,244,582
Plan Fiduciary Net Position	<u>273,173,482</u>
Net OPEB Liability	<u>\$ 13,546,071,100</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.98%</u>
Borough Allocation:	
Net OPEB Plan Liability allocated to the Borough	<u>\$ 10,174,860</u>
Allocation Percentage	<u>0.075113%</u>
Borough Participants (active and inactive/retired)	<u>84</u>

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This was the latest data available at December 31, 2020.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS – HEALTH CARE BENEFITS (CONT'D)

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

Inflation rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

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

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.

Healthcare Trend Assumptions:

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

Discount Rate:

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS – HEALTH CARE BENEFITS (CONT'D)

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

The following presents the net OPEB liability of the participating employers and the Borough as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>2.50%</u>	Current Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Net OPEB liability	\$ 15,662,704,137	\$ 13,546,071,100	\$ 11,826,026,995
Borough Share	11,764,727	10,174,860	8,882,884

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

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% <u>Decrease</u>	Trend Rate	1% <u>Increase</u>
Net OPEB liability	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531
Borough Share	8,586,328	10,174,860	12,201,301

At June 30, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 2,975,526
Net difference between projected and actual investment earnings on OPEB plan investments	8,381	
Change in proportion	661,668	1,683,016
Change in assumption		3,605,744
	<u>\$ 670,049</u>	<u>\$ 8,264,286</u>

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS – HEALTH CARE BENEFITS (CONT'D)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB would be recognized in OPEB expense as follows if GASB 75 was adopted:

		<u>Total</u>
Year ended December 31:		
2020	\$	(1,265,205)
2021		(1,265,205)
2022		(1,265,855)
2023		(1,266,986)
2024		(1,267,908)
Thereafter		<u>(1,263,078)</u>
	<u>\$</u>	<u>(7,594,237)</u>

Changes in the Total and Net Plan OPEB Liability:

	<u>2019</u>
Total OPEB Liability - Beginning (Based on 6/30 Measurement Date)	\$ 15,981,103,227
Changes for the year:	
Service cost	666,574,660
Interest cost	636,082,461
Change of Benefit Terms	(1,903,958)
Difference between expected and actual experience	(1,399,921,930)
Changes in assumptions	(1,635,760,217)
Contributions: Member	43,249,952
Gross benefit payments	<u>(470,179,613)</u>
Net changes	<u>(2,161,858,645)</u>
Total OPEB Liability - Ending (Based on 6/30 Measurement Date)	<u>\$ 13,819,244,582</u>

	<u>2019</u>
Plan Fiduciary Net Position	
Contributions: Employer	\$ 346,415,056
Contributions: Non-Employer contributing entities	43,854,500
Contributions: Member	43,249,952
Net investment income	4,826,936
Gross benefit payments	(470,179,613)
Administrative expenses	<u>(9,478,435)</u>
Net Change in Plan Fiduciary Net Position	\$ (41,311,604)
Plan Fiduciary Net Position (Beginning)	<u>171,944,313</u>
Plan Fiduciary Net Position (Ending)	\$ 130,632,709
Net OPEB Liability (Ending)	\$ 13,546,071,100
Plan Fiduciary Net Position as % of OPEB Liability	0.9%
Covered Employee Payroll	\$ 4,801,667,470
Net OPEB Liability as a Percentage of Payroll	282%

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS – HEALTH CARE BENEFITS (CONT'D)

Special Funding Situation

Net OPEB Liability Special and Nonspecial funding components:

The Net OPEB Liability at 2019 can be further broken down into its special funding and non-special funding components as follows:

	<u>2019</u>
Special Funding Situation	\$ 5,525,718,739
Non-special Funding Situation	<u>8,020,352,361</u>
Total Net OPEB Liability	<u>\$ 13,546,071,100</u>

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 does not participate in the special funding situation and as a result there is no amount allocable of the net OPEB liability for the special funding situation to the Borough.

Note 12: COMPENSATED ABSENCES

Under existing collective bargaining agreements and personnel policies of the Borough, employees are allowed to accumulate unused compensatory, vacation and sick pay over the life of their working careers, which may be taken as time off, additional annual pay, or as termination payments upon retirement, at agreed upon rates. At December 31, 2020 and 2019, the estimated value of accumulated and unused compensated absences, was \$1,484,034.80 and \$1,106,773.02, respectively.

Under accounting principles and practices prescribed by the Division of local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be recorded and/or reported in the Borough's financial statements. Any required payments are recorded as expenditures in the year of projected disbursement and accordingly, no liability has been accrued as at December 31, 2020.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 13: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Borough has instituted a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. In accordance with State of New Jersey regulations, the LOSAP Program is subject to an annual review in accordance with AICPA standards for attestation engagements (accountant's review report) and is unaudited. LOSAP review reports are available in the office of the Borough Clerk during scheduled working hours.

Note 14: RISK MANAGEMENT

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

MCMJIF
1 Jocama Blvd., Suite 2B
Old Bridge, NJ 08857

Note 15: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough PILOT billings in 2020 were \$1,004,266.99 and taxes in 2020 that otherwise would have been due on these long-term tax exemptions amounted to \$1,880,659.22, based upon the assessed valuations of the long-term tax exemptions properties.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 16: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2020:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 7,202.69	
Federal/State Grant		\$ 228.44
Animal Control		16.75
Assessment Trust		22.44
Capital		2,782.73
Trust - Other		4,152.33
Totals	<u>\$ 7,202.69</u>	<u>\$ 7,202.69</u>

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to (1) move revenues from the funds New Jersey Statute or budget requires to collect to collect to fund the appropriation and the statute or budget to expend them. All interfunds are expected to be liquidated in the upcoming year.

Note 17: COMMITMENTS AND CONTINGENCIES

Federal and State Assistance Programs

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2020, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2020, the Borough had commitments outstanding, based upon open contracts and purchase orders that totaled \$559,367.30 within its General Capital Fund.

Contingencies-Pending Litigation

As at the date of this report, Management indicates that the Borough was not involved in any pending or threatened litigation nor any unasserted claims or assessments requiring disclosure in the financial statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

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

Note 18: CORONA VIRUS RELIEF FUND

During 2020, the Borough expended \$176,617.00 due to the COVID-19 pandemic. In January of 2021 the Borough was reimbursed these funds. The monies were accounted for in the Current Fund (\$101,330.42), Trust Fund (\$43,286.58) and General Capital Fund (\$32,000.00).

Note 19: SUBSEQUENT EVENTS

The following capital ordinances were adopted subsequent to December 31, 2020:

<u>Ord. No.</u>	<u>Date of Adoption</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Bonds and Notes Authorized</u>
2021-10	4/13/2021	Various Capital Improvements	\$ 2,000,000.00	\$ 1,904,000.00

The following ordinance was put into effect subsequent to December 31, 2020:

<u>Ord. No.</u>	<u>Date of Adoption</u>	<u>Description</u>
2020-31	10/27/20	The Borough Council adopted Ordinance 2020-31 to create the Borough of Bound Brook Sanitary Sewer Utility effective, January 1, 2021

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**



**PART II
SUPPLEMENTARY INFORMATION**

Current Fund

**SCHEDULE OF CASH TRANSACTIONS
CURRENT AND GRANT FUND**

	<u>Ref.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Cash Balance - December 31, 2019	A	\$ 4,487,603.17	\$ 203,500.19
Increased by Cash Receipts			
Petty Cash Returned	A-5	\$ 200.00	\$
Due NJ Sr Citizens and Veterans Deductions	A-6	45,000.00	
Taxes Receivable	A-7	25,515,402.33	
Revenue Accounts Receivable	A-9	4,326,722.57	
Sewer Rents Receivable	A-10	1,693,693.70	
Refuse Disposal Fees	A-11	601,790.52	
Interfunds - Current Fund	A-12	7,210.57	
Special Emergency Notes	A-14	350,000.00	
Tax Overpayments	A-17	91,518.57	
Prepaid 2021 Property Taxes	A-18	143,877.91	
Prepaid Refuse Disposal Fees	A-19	36,173.42	
Prepaid-Sewer Rents	A-20	3,407.26	
Other Reserves	A-21	22,320.00	
Grants Receivable	A-22		27,106.19
Grants Appropriated - Grant Match	A-23		3,921.02
Grants Unappropriated	A-24		15,740.00
Interfunds - Grant Fund	A-25		228.44
		<hr/>	<hr/>
Total Cash Receipts		32,837,316.85	46,995.65
		<hr/>	<hr/>
		37,324,920.02	250,495.84
Decreased by Disbursements			
Budget Appropriations	A- 3	14,587,614.87	
Petty Cash Advanced	A- 5	200.00	
Interfunds - Current Fund	A-12	1,080.73	
Appropriation Reserves	A-15	742,648.13	
Non-Municipal Taxes Payable	A-16	17,129,877.75	
Tax Overpayment Refunds	A-17	89,508.57	
Other Reserves	A-21	1,533.72	
Grants Appropriated	A-23		84,080.85
		<hr/>	<hr/>
Total Cash Disbursements		32,552,463.77	84,080.85
		<hr/>	<hr/>
Cash Balance - December 31, 2020	A	\$ 4,772,456.25	\$ 166,414.99
		<hr/> <hr/>	<hr/> <hr/>

**SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS
CURRENT FUND**

	BALANCE DECEMBER 31 2019	ADVANCED	RETURNED	BALANCE DECEMBER 31 2020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change Funds:				
Tax Collector	\$ 150.00	\$	\$	\$ 150.00
Municipal Court	200.00			200.00
Borough Clerk	50.00			50.00
Petty Cash Funds		200.00	200.00	
	<u>\$ 400.00</u>	<u>\$ 200.00</u>	<u>\$ 200.00</u>	<u>\$ 400.00</u>
<u>REF.</u>	A	A-4	A-4	A

**SCHEDULE OF DUE FROM STATE OF NEW JERSEY -
FOR ALLOWABLE DEDUCTIONS PER CHAPTER 129, P.L. 1976
CURRENT FUND**

	<u>REF.</u>		
Balance - December 31, 2019	A	\$	3,746.48
Increased by:			
Allowable Deductions per Tax Billings	A-6		<u>45,500.00</u>
			49,246.48
Decreased by:			
Collected	A-4	\$ 45,000.00	
2020 Sr. Citizens and Vet. Ded. Disallowed by Collector	A-6	<u>2,500.00</u>	<u>47,500.00</u>
Balance - December 31, 2020	A	\$	<u>1,746.48</u>
Analysis of Sr. Citizens & Veterans <u>Deductions Allowed - 2020 Taxes</u>			
Per Tax Billings	A-6	\$	45,500.00
Allowed (Disallowed) by Tax Collector (Net)	A-6		<u>(2,500.00)</u>
	A-7	\$	<u>43,000.00</u>

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

YEAR	BALANCE	2020 LEVY	COLLECTIONS BY CASH		STATE SHARE OF SR. CIT & VET. DEDUCTIONS	REMITTED OR CANCELLED	TRANSFER TO TTL	BALANCE
	DEC. 31,2019		2019	2020				DEC. 31,2020
2016	\$ 4.48	\$	\$	\$	\$	\$	\$	\$ 4.48
2017	1,553.34					0.54		1,552.80
2019	<u>401,572.36</u>			<u>401,572.00</u>		<u>0.36</u>		
	403,130.18	-	-	401,572.00	-	0.90	-	1,557.28
2020		<u>25,888,897.94</u>	<u>123,886.43</u>	<u>25,113,830.33</u>	<u>43,000.00</u>	<u>49,625.73</u>	<u>4,450.88</u>	<u>554,104.57</u>
	<u>\$ 403,130.18</u>	<u>\$ 25,888,897.94</u>	<u>\$ 123,886.43</u>	<u>\$ 25,515,402.33</u>	<u>\$ 43,000.00</u>	<u>\$ 49,626.63</u>	<u>\$ 4,450.88</u>	<u>\$ 555,661.85</u>
Ref.	A	Reserve	A-2, A-18	A-2, A-4	A-2, A-6	Reserve	A-8	A

Analysis of 2020 Property Tax Levy:

	Ref.	
<u>Tax Yield:</u>		
General Purpose		\$ 25,737,079.05
Added Taxes		23,881.19
Special District Taxes		<u>127,937.70</u>
		<u>\$ 25,888,897.94</u>

<u>Tax Levy:</u>		
Local School Tax (Abstract)	A-16	\$ 13,657,924.00
Special District Tax	A-16	127,937.70
County Tax (Abstract)	A-16	2,689,364.53
County Library Tax (Abstract)	A-16	392,158.55
County Open Space Tax (Abstract)	A-16	254,372.85
Added County Tax	A-16	<u>3,101.87</u>
		17,124,859.50
Local Tax for Mun. Purposes (Abstract)	A-2	8,737,733.31
Add: Additional Tax Levied		<u>26,305.13</u>
		<u>8,764,038.44</u>
		<u>\$ 25,888,897.94</u>

SCHEDULE OF TAX TITLE LIENS
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 40,667.23
Increased by:		
Transfer from Taxes Receivable	A - 7	<u>4,450.88</u>
Balance - December 31, 2020	A	<u><u>\$ 45,118.11</u></u>

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
CURRENT FUND**

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2019</u>	2020 <u>ACCRUED</u>	2020 <u>COLLECTED</u>	BALANCE DECEMBER <u>31, 2020</u>
Alcoholic Beverage Licenses	A-2	\$	\$ 40,188.00	\$ 40,188.00	\$
Other Licenses	A-2		28,055.00	28,055.00	
Fees and Permits:					
Other	A-2		237,120.42	237,120.42	
Municipal Court - Fines & Costs	A-2	18,911.79	160,935.47	171,109.36	8,737.90
Interest and Costs on Taxes	A-2		126,323.05	126,323.05	
Interest on Investments and Deposits	A-2		108,643.92	108,643.92	
Parking Lot Fees	A-2		66,230.45	66,230.45	
Cable TV Franchise Fee	A-2		118,023.56	118,023.56	
Consolidated Municipal Property Tax Relief Act	A-2		62,545.00	62,545.00	
Energy Receipts Tax	A-2		1,056,165.00	1,056,165.00	
Uniform Construction Code Fees	A-2		317,252.00	317,252.00	
Administrative Fees-Off Duty Police	A-2		109,833.00	109,833.00	
Uniform Fire Safety Act - LEA Rebates	A-2		16,569.56	16,569.56	
Inspection Fees	A-2		340,413.87	340,413.87	
Train Station Rent	A-2		29,100.00	29,100.00	
PILOT Payment (Queensgate)	A-2		372,145.15	372,145.15	
Sewer Connection Fees	A-2		171,524.48	171,524.48	
Meridia Payment	A-2		226,225.00	226,225.00	
Refuse Stickers	A-2		15,572.00	15,572.00	
Capital Surplus	A-2		440,000.00	440,000.00	
		<u>18,911.79</u>	<u>4,042,864.93</u>	<u>4,053,038.82</u>	<u>8,737.90</u>
Miscellaneous Revenue Not Anticipated:					
FEMA Reimbursement			10,167.30	10,167.30	
Meridia PILOT Revenue			186,225.00	186,225.00	
Queens Gate PILOT Revenue			59,695.15	59,695.15	
Sr. Cit. & Vet. Admin. Fee			-	-	
Miscellaneous			17,596.30	17,596.30	
	A-2		<u>273,683.75</u>	<u>273,683.75</u>	
		<u>\$ 18,911.79</u>	<u>\$ 4,316,548.68</u>	<u>\$ 4,326,722.57</u>	<u>\$ 8,737.90</u>
<u>Ref.</u>		A	Reserve	A-4	A

SCHEDULE OF SEWER RENTS RECEIVABLE
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 147,102.34
Increased by:		
Sewer Rent Billings	Reserve	<u>1,718,782.60</u>
		1,865,884.94
Decreased by:		
Collected	A-2, A-4	<u>1,693,693.70</u>
Balance - December 31, 2020	A	<u><u>\$ 172,191.24</u></u>

SCHEDULE OF REFUSE DISPOSAL FEES RECEIVABLE
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 57,323.27
Increased by:		
Refuse Disposal Fee Billings and Sticker Sales	Reserve	<u>638,500.00</u>
		695,823.27
Decreased by:		
Collected	A-2, A-4	\$ 601,790.52
Prepaid Fees Applied	A-2, A-19	<u>33,258.53</u>
		<u>635,049.05</u>
Balance - December 31, 2020	A	<u><u>\$ 60,774.22</u></u>

**SCHEDULE OF INTERFUNDS
CURRENT FUND**

	BALANCE DECEMBER <u>31, 2019</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE DECEMBER <u>31, 2020</u>
Interfunds Loans Due From or (To):				
Assessment Trust Fund	\$ -	\$ 22.44	\$ -	\$ 22.44
Animal Control Trust Fund		16.75		16.75
Trust Other Fund	7,210.57	4,152.33	7,210.57	4,152.33
Grant Fund	-	166,365.72	166,594.16	228.44
General Capital Fund	<u>-</u>		<u>2,782.73</u>	<u>2,782.73</u>
Total	<u>\$ 7,210.57</u>	<u>\$ 170,557.24</u>	<u>\$ 176,587.46</u>	<u>\$ 7,202.69</u>
	<u>Ref.</u>	A		A
Grant Revenues Realized	A-2	\$ 166,365.72	\$	
Interest on Investments	A-2	3,110.79	3,011.17	
Grant Appropriations Charged	A-3		166,365.72	
Cash Received	A-4		7,210.57	
Cash Disbursed	A-4	<u>1,080.73</u>		
Total		<u>\$ 170,557.24</u>	<u>\$ 176,587.46</u>	

SCHEDULE OF DEFERRED CHARGES
CURRENT FUND

	BALANCE DECEMBER <u>31, 2019</u>	RAISED IN 2020 <u>BUDGET</u>	AMOUNT RESULTING <u>IN 2020</u>	BALANCE DECEMBER <u>31, 2020</u>
Special Emergency				
Master Plan Re-examination Report	\$ 10,000.00	\$ 5,000.00		\$ 5,000.00
COVID-19 Deficit in Revenues			357,914.85	357,914.85
	<u>\$ 10,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 357,914.85</u>	<u>\$ 362,914.85</u>
<u>REF.</u>	A	A-3	A-3	A

SCHEDULE OF EMERGENCY NOTES PAYABLE
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ -
Increased by:		
Cash Receipts	A-4	<u>350,000.00</u>
Balance - December 31, 2020	A	<u>\$ 350,000.00</u>

**SCHEDULE OF 2019 APPROPRIATION RESERVES
CURRENT FUND**

	BALANCE-DEC. 31, 2019		AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
	APPROP. RESERVES	RESERVE FOR ENCUMBRANCES			
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 4,790.63	\$	\$ 290.63	\$	\$ 290.63
Other Expenses	16,564.45	25,947.81	28,512.26	22,046.05	6,466.21
Codification	2,095.32		2,245.32	2,225.00	20.32
Municipal Clerk:					
Salaries and Wages	2,982.35		2,082.35		2,082.35
Other Expenses	80.06	313.98	394.04	313.98	80.06
Elections:					
Other Expenses	63.69	75.00	138.69		138.69
Financial Administration:					
Salaries and Wages	8,112.21		112.21		112.21
Other Expenses	4,643.54	2,721.11	16,264.65	16,242.77	21.88
Assessment of Taxes:					
Salaries and Wages	676.92		676.92		676.92
Other Expenses	2,183.66	801.20	2,984.86	801.25	2,183.61
Collection of Taxes:					
Salaries and Wages	676.92		676.92		676.92
Other Expenses	73.06	899.99	973.05	899.99	73.06
Audit Services:					
Other Expenses	10,000.00	7,464.00	17,464.00	17,464.00	
Legal Services and Costs:					
Other Expenses	6,771.00	0.44	43,271.44	38,511.98	4,759.46
Engineering Services and Costs:					
Other Expenses	39,327.80		39,327.80	37,972.87	1,354.93
Public Buildings and Grounds:					
Salaries and Wages	2,167.45		2,167.45		2,167.45
Other Expenses		5,482.79	7,482.79	6,876.35	606.44
Inspection Department:					
Salaries and Wages	2,249.98		2,249.98		2,249.98
Other Expenses	1,354.49	184.52	1,539.01	184.52	1,354.49
Planning Board:					
Salaries and Wages	1.00		1.00		1.00
Other Expenses	13,903.38	3,630.41	17,533.79	5,560.81	11,972.98
Shade Tree Commission:					
Other Expenses	873.89		873.89		873.89
Economic Development Program:					
Other Expenses	89.44		89.44	54.41	35.03
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	25.23	13,708.53	13,733.76	12,148.23	1,585.53
Fire Safety Bureau:					
Salaries and Wages	1,273.67		1,273.67		1,273.67
Other Expenses	2,229.72		2,229.72	416.85	1,812.87
Police:					
Salaries and Wages	41,539.67	16,141.49	32,681.16	(9,574.55)	42,255.71
Other Expenses	3,964.05	29,349.36	33,313.41	28,278.75	5,034.66
Municipal Court:					
Salaries and Wages	3,448.52		3,448.52		3,448.52
Other Expenses	660.48	590.00	1,550.48	1,310.00	240.48
Insurance:					
Other Insurance	3,500.79		3,500.79		3,500.79
Health Benefits	105,815.27		35,815.27	7,636.80	28,178.47
Parking Meter Maintenance:					
Salaries and Wages	727.93		727.93		727.93
Other Expenses	228.78	1,148.56	1,377.34	1,148.56	228.78
Emergency Management Services:					
Salaries and Wages	1,313.56		1,313.56		1,313.56
Other Expenses	2,654.00	914.49	3,568.49	913.48	2,655.01

**SCHEDULE OF 2019 APPROPRIATION RESERVES
CURRENT FUND**

	BALANCE-DEC. 31, 2019		AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
	APPROP. RESERVES	RESERVE FOR ENCUMBRANCES			
<u>STREET AND ROADS</u>					
Road Repairs and Maintenance:					
Salaries and Wages	\$ 24,500.63	\$	\$ 9,500.63	\$ 9,500.63	\$
Other Expenses	19,068.99	13,258.04	32,327.03	31,738.80	588.23
Garbage and Trash Removal:					
Other Expenses	43,919.01	3,300.00	27,219.01	19,936.00	7,283.01
Recycling Contingency Fund:					
Other Expenses	21,998.37	21,281.71	43,280.08	40,795.42	2,484.66
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Other Expenses	31,876.00		31,876.00	6,876.00	25,000.00
Dog Regulation					
Other Expenses	14,515.46	149.90	14,665.36	149.45	14,515.91
PEOSHA Act - Bd of Health					
Other Expenses	500.00		500.00		500.00
<u>RECREATION AND EDUCATION</u>					
Parks and Playgrounds:					
Other Expenses	8,155.96	9,230.60	17,386.56	16,577.95	808.61
Board of Recreation Commissioners (R.S. 40:12-1):					
Salaries and Wages:	7,932.10		7,932.10		7,932.10
Other Expenses	10,585.66	2,220.00	12,805.66	5,826.60	6,979.06
Celebration of Public Event, Anniv. Or Holid. (40:58-5.4):					
Other Expenses	1,700.00		1,700.00		1,700.00
Construction Official:					
Salaries and Wages:	3,637.42		3,637.42		3,637.42
Other Expenses		404.17	404.17	404.17	
Unclassified:					
Gasoline	16,387.19	12,601.51	21,538.70	18,361.28	3,177.42
Telephones	3,201.84	55.25	3,257.09	175.86	3,081.23
Street Lighting	26,580.93	3,153.25	19,734.18	14,997.48	4,736.70
Fire Hydrant Service	70.36	11,465.11	11,535.47	9,154.94	2,380.53
Electric/Heating	13,841.84	14,444.22	28,286.06	18,380.51	9,905.55
Water	2,791.90	5,368.08	8,159.98	1,643.02	6,516.96
Contingent	1,000.00		1,000.00		1,000.00
Contributions to:					
Public Employees Retirement System	194.38		194.38	178.36	16.02
Social Security System (O.A.S.I.)	58,834.94		58,834.94		58,834.94
Police and Firemen's Retire System of NJ	3,436.32		3,436.32	633.68	2,802.64
State Unemployment Insurance			4,000.00	3,872.57	127.43
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Length of Service Award Program - (LOSAP)	5,600.00		5,600.00		5,600.00
Sewerage Authority (40:14A-8):					
Share of Costs	257,536.50	2,042.32	382,578.82	381,896.18	682.64
Total	\$ 864,928.71	\$ 208,347.84	\$ 1,073,276.55	\$ 772,531.00	\$ 300,745.55
	<u>Ref.</u>				
	A	A			A-1
Disbursed	A-4			\$ 742,648.13	
Accounts Payable	A-21			<u>29,882.87</u>	
				<u>\$ 772,531.00</u>	

SCHEDULE OF TAXES PAYABLE
CURRENT FUND

	BALANCE DECEMBER <u>31, 2019</u>	TAXES LEVIED	TAXES PAID	BALANCE DECEMBER <u>31, 2020</u>
County - General	\$	\$ 2,689,364.53	\$ 2,689,364.53	\$ -
County - Open Space		254,372.85	254,372.85	-
County - Library		392,158.55	392,158.55	-
County - Added and Omitted	6,369.79	3,101.87	6,369.79	3,101.87
Local School District Taxes		13,657,924.00	13,657,924.00	-
Special District Taxes	<u>9,858.69</u>	<u>127,937.70</u>	<u>127,937.72</u>	<u>9,858.67</u>
Total	<u>\$ 16,228.48</u>	<u>\$ 17,124,859.50</u>	<u>\$ 17,128,127.44</u>	<u>\$ 12,960.54</u>
	<u>Ref.</u>	A	A-1, A-7	A
Cash Disbursements	A-4		\$ 17,129,877.75	
Adjustment to Fund				
Balance - Added and Omitted	A-1		<u>1,750.31</u>	
			<u>\$ 17,128,127.44</u>	

**SCHEDULE OF TAX OVERPAYMENTS
CURRENT FUND**

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 1,690.57
Increased by:		
Tax Overpayments Received	A-4	91,518.57
		93,209.14
Decreased by:		
Refunded	A-4	89,508.57
Balance - December 31, 2020	A	\$ 3,700.57

**SCHEDULE OF PREPAID TAXES
CURRENT FUND**

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 123,886.43
Increased by:		
Prepaid 2021 Taxes Received	A-4	143,877.91
		267,764.34
Decreased by:		
Applied to 2020 Taxes	A-7	123,886.43
Balance - December 31, 2020	A	\$ 143,877.91

Exhibit - A-19

SCHEDULE OF PREPAID REFUSE DISPOSAL FEES
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 33,258.53
Increased by:		
Prepayments Received in 2020	A-4	<u>36,173.42</u>
		69,431.95
Decreased by:		
Prepayments Applied in 2020	A-11	<u>33,258.53</u>
Balance - December 31, 2020	A	\$ <u><u>36,173.42</u></u>

Exhibit - A-20

SCHEDULE OF PREPAID SEWER RENTS
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 2,046.60
Increased by:		
Prepayments Received in 2020	A-4	<u>3,407.26</u>
Balance - December 31, 2020	A	\$ <u><u>5,453.86</u></u>

SCHEDULE OF OTHER RESERVES
CURRENT FUND

	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2019</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>TRANSFER FROM</u> <u>APPROPRIATION</u> <u>RESERVES</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2020</u>
Accounts Payable:					
Vendor Accounts Payable	\$ 13,901.46	\$ _____	\$ 9,322.35	\$ 29,882.87	\$ 34,461.98
Subtotal	<u>13,901.46</u>	<u>-</u>	<u>9,322.35</u>	<u>29,882.87</u>	<u>34,461.98</u>
Reserve for:					
Deferred Revenue:					
PILOT Extension	200,000.00				200,000.00
Proceeds from Asset Sales	248,185.50		233,150.00		15,035.50
Tax Map Preparation	1,806.00				1,806.00
Library	1,424.00	20,897.00			22,321.00
Library State Aid		1,423.00			1,423.00
Master Plan	<u>7,886.48</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>7,886.48</u>
Subtotal	<u>459,301.98</u>	<u>22,320.00</u>	<u>233,150.00</u>	<u>-</u>	<u>248,471.98</u>
	<u>\$ 473,203.44</u>	<u>\$ 22,320.00</u>	<u>\$ 242,472.35</u>	<u>\$ 29,882.87</u>	<u>\$ 282,933.96</u>
<u>Ref.</u>	A	A-4		A-15	A
Fund Balance	A-1		\$ 7,788.63		
2020 Budget Revenues	A-2		233,150.00		
Cash Disbursements	A-4		<u>1,533.72</u>		
			<u>\$ 242,472.35</u>		

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

<u>GRANTS</u>	BALANCE DEC. 31, <u>2019</u>	2020 BUDGET REVENUE <u>REALIZED</u>	COLLECTED <u>2020</u>	BALANCE DEC. 31, <u>2020</u>
Alcohol Education and Rehabilitation Fund	\$ 6,224.76	\$	\$ 916.89	\$ 5,307.87
Body Armor Fund		2,598.36	2,598.36	-
Business Stimulus Fund	6,489.48			6,489.48
Bulletproof Vest Partnership Grant	2,499.98	5,499.95		7,999.93
Clean Communities Program		15,911.44	15,911.44	-
Community Facility Disaster Grant		38,200.00		38,200.00
Community Garden	2,500.00			2,500.00
Drunk Driving Enforcement Act	26,679.95			26,679.95
EDIP-Downtown Improvements	29,046.00			29,046.00
EDIP-West Main St.	4,030.14			4,030.14
Firefighters/EMS Grant	977.00	1,898.00	1,898.00	977.00
Leary Firefighter Foundation Grant	17,049.30			17,049.30
Local Art Grant		1,762.00	1,321.50	440.50
Municipal Alliance		15,684.07	4,460.00	11,224.07
NJ DEP - It Pays to Plug In - NJ's Electric Vehicle Charging Program	30,000.00			30,000.00
NJ DOT - Rehab of West Second Street	93,750.00			93,750.00
NJ Forest Service Community Forestry Program	16,525.50			16,525.50
Recycling Tonnage Grant	3,007.59	4,811.90		7,819.49
Safe Passage Grant	1,824.90			1,824.90
SAFER Grant		80,000.00		80,000.00
Somerset County Youth Services Grant	5,000.00			5,000.00
Sustainable NJ	2,000.00			2,000.00
Transportation Enhancement Grant-Main St	27,290.00			27,290.00
Transportation Enhancement Grant-West Maple St.	50,000.00			50,000.00
Transportation Grant-Train Station	250,000.00			250,000.00
Transportation Grant-Train Station	250,000.00			250,000.00
	<u>\$ 824,894.60</u>	<u>\$ 166,365.72</u>	<u>\$ 27,106.19</u>	<u>\$ 964,154.13</u>

Ref. A A-23 A-4 A

**SCHEDULE OF STATE AND FEDERAL GRANTS APPROPRIATED
GRANT FUND**

	BALANCE DEC. 31 <u>2019</u>	TRANSF. FROM 2020 <u>BUDGET</u>	TRANSF. FROM 2020 <u>Approp by 40A:4-87</u>	RESERVE FOR ENCUMB. <u>2019</u>	PAID OR <u>CHARGED</u>	RESERVE FOR ENCUMB. <u>2020</u>	BALANCE DEC. 31 <u>2020</u>
Alcohol Education and Rehabilitation	\$ 19,491.72	\$	\$	\$	1,515.00	\$	\$ 17,976.72
Body Armor Fund	12,497.53		2,598.36		8,465.42		6,630.47
Bulletproof Vest Partnership Grant	2,499.98		5,499.95		2,499.98		5,499.95
Business Stimulus Fund-2010/2011	6,528.00						6,528.00
CERT Trailer Uplift Grant	700.00						700.00
Clean Communities Program	17,645.94		15,911.44		17,645.94	15,911.44	-
Community Facility Disaster Grant			38,200.00			38,200.00	-
Detective Tarentino Grant	3,517.08						3,517.08
Distracted Driver Grant	5,500.00						5,500.00
Domestic Violence	4,422.64						4,422.64
Downtown Improvements-Somerset County EDIP	61,792.85						61,792.85
Drive Sober or Get Pulled Over	1,700.00						1,700.00
Drunk Driving Enforcement Fund	79,954.29				1,510.18	631.80	77,812.31
EDIP-West Main Street	13,225.69						13,225.69
Emergency Mgmt Grant	3,194.62						3,194.62
Firefighters/EMS Grant	977.00		1,898.00		1,885.15		989.85
Local Art Grant			1,762.00				1,762.00
Municipal Alliance			15,684.07		4,460.00		11,224.07
Municipal Alliance - Match		3,921.02					3,921.02
NJ DEP - It Pays to Plug In - NJ's Electric Vehicle Charging Program	-			30,000.00	21,288.00	8,712.00	-
NJ DOT - Rehab of West Second Street	93,750.00						93,750.00
NJ Forest Service Community Forestry Program	29,990.11						29,990.11
Public Works Grant-Match	74,838.66				2,811.18	6,061.00	65,966.48
Recreation - Target Grant	1,000.00						1,000.00
Recycling Tonnage Grant	27,907.47		4,811.90		18,000.00		14,719.37
Safe Corridors Program	12,125.31						12,125.31
Safe Passage Grant	840.00						840.00
SAFER Grant			80,000.00				80,000.00
Somerset County Youth Athletic Grant	15,245.90						15,245.90
Somerset County Youth Services Grant	7,000.00			2,000.00	4,000.00		5,000.00
Transportation Enhancement-Train Station	500,000.00						500,000.00
U.S. Dept. of Justice - COPS Technology Grant	50.00						50.00
	<u>\$ 996,394.79</u>	<u>\$ 3,921.02</u>	<u>\$ 166,365.72</u>	<u>\$ 32,000.00</u>	<u>\$ 84,080.85</u>	<u>\$ 69,516.24</u>	<u>\$ 1,045,084.44</u>
<u>Ref.</u>	A	A-4	A-22	A	A-4	A	A

**SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED
GRANT FUND**

	BALANCE DEC. 31 <u>2019</u>	GRANTS RECEIVED <u>2020</u>	BALANCE DEC 31 <u>2020</u>
County Youth Services Grant	\$	\$ 14,575.00	\$ 14,575.00
First Responders		<u>1,165.00</u>	<u>1,165.00</u>
Total	\$ -	\$ <u>15,740.00</u>	\$ <u>15,740.00</u>
	A	A-4	A

**SCHEDULE OF INTERFUNDS PAYABLE
GRANT FUND**

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ -
Increased by:		
Cash Receipts	A-4	<u>228.44</u>
Balance - December 31, 2020	A	\$ <u><u>228.44</u></u>

Trust Fund

ANALYSIS OF ASSESSMENT TRUST CASH AND INVESTMENTS

	BALANCE <u>DEC. 31, 2019</u>	BALANCE <u>DEC. 31, 2020</u>
Fund Balance	\$ 16,553.30	\$ 16,553.30
Assessments Receivable	(3,641.64)	(3,641.64)
Overpayments	2,254.06	2,254.06
Due Current Fund		22.44
Reserve for Assessments	<u>445.74</u>	<u>445.74</u>
Total	\$ <u><u>15,611.46</u></u>	\$ <u><u>15,633.90</u></u>
	<u>Ref.</u>	
	B, B-5	B, B-5

() Denotes Deficit or Deduction

SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS
ASSESSMENT TRUST FUND

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31,2019</u>	<u>BALANCE DEC. 31,2020</u>
	<u>Assessments:</u>		
98-21	Curbs, Sidewalks & Driveways-Fairview Ave.	\$ 445.74	\$ 445.74
	Total	<u>\$ 445.74</u>	<u>\$ 445.74</u>
	<u>Ref.</u>	B	B

**TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY**

	Balance <u>12/31/2019</u>Cash.....		Balance <u>12/31/2020</u>
		<u>Receipts</u>	<u>Disbursements</u>	
Assessment Trust:				
Assessments Receivable	\$ (3,641.64)	\$ -	\$ -	\$ (3,641.64)
Overpayments	2,254.06			2,254.06
Due to Current Fund		22.44		22.44
Reserve for Assessments Receivable	445.74			445.74
Fund Balance	<u>16,553.30</u>			<u>16,553.30</u>
Total	<u>15,611.46</u>	<u>22.44</u>	<u>-</u>	<u>15,633.90</u>
Animal Control:				
Interfund Loan - Trust Fund	6.50		6.50	-
Interfund Loan - Current Fund	-	16.75		16.75
Due NJ - State License Fees	30.60	456.00	485.40	1.20
Animal Control Reserves	<u>6,173.34</u>	<u>7,532.27</u>	<u>145.20</u>	<u>13,560.41</u>
Total	<u>6,210.44</u>	<u>8,005.02</u>	<u>637.10</u>	<u>13,578.36</u>
Other Trust Funds:				
Due (from)/to Current Fund	7,210.57	4,152.33	7,210.57	4,152.33
Due (from)/to Animal Control	(6.50)	6.50		-
Due (from)/to General Capital	134,081.77		134,081.77	-
Grants Receivable - Coronavirus Relief Fund			43,286.58	(43,286.58)
Miscellaneous Reserves:				
Accumulated Absences		41,000.00	24,311.79	16,688.21
Advanced Surety Bond	3,850.00			3,850.00
American Legion Trust	70.63			70.63
Billian Trust	120,007.02			120,007.02
Bound Brook Land Development	727.76			727.76
Credit Card Fees		12,282.09	11,625.76	656.33
Developer's Deposits	209,789.81	217,795.74	214,722.80	212,862.75
Engineering Escrow	3,236.29	36,192.07	8,432.08	30,996.28
Fire Prevention Penalties (Dedicated)	800.00			800.00
Fire Department Penalties (Dedicated)	10,972.05	115.00	2,496.41	8,590.64
Fire Recovery Donations		3,490.00	3,490.00	-
Flood Donation	20,425.48			20,425.48
Flood Relief	4,100.12			4,100.12
Housing Rehabilitation	722,180.56	30,639.12	15,151.01	737,668.67
Housing/Property Maintenance Penalties	24,835.56	11,808.00	19,608.18	17,035.38
MERCCREM-BB Hotel	98.72			98.72
Newsletter	627.63			627.63
OEM Donation	5,794.24			5,794.24
Outside Lien Redemptions	8,050.22	337,214.15	306,710.30	38,554.07
Park Improvements - CDBG	7,469.38			7,469.38
Payroll Deductions Payable	211,253.85	6,007,610.91	6,191,367.89	27,496.87
Performance Escrow	6,881.06	6,851.04		13,732.10
Pfizer Review	7,794.50			7,794.50
POAA	9,892.04	330.00	1,528.00	8,694.04
Police Body Armor Fund	257.00		257.00	-
Police Donations	26,379.93	64.53	4,037.64	22,406.82
Police Forfeiture	20,572.56	8,305.67		28,878.23
Police Outside Employment	59,310.00	442,295.57	464,355.00	37,250.57
Public Assistance	2,653.63			2,653.63
Public Defender	12,378.00	19,325.00	13,550.00	18,153.00
Public Safety Donations		100.00		100.00
Recreation Commission	115,111.05	67,580.42	69,359.97	113,331.50
Reserve for Encumbrances - General Trust	879.65			879.65

**TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY**

	Balance <u>12/31/2019</u>Cash.....		Balance <u>12/31/2020</u>
		<u>Receipts</u>	<u>Disbursements</u>	
Reserve for Escrow Deposits	\$ 11,830.00		\$ 10,327.25	\$ 1,502.75
Reserve for Unemployment	(2,263.25)	49,999.68	37,949.05	9,787.38
Riverfest Donations	2,551.72			2,551.72
RV Sewer Rehab Review	801.45			801.45
Shade Tree Commission	0.50			0.50
Street Opening Permits	31,893.00			31,893.00
Storm Recovery		22,621.02	-	22,621.02
Tax Lien Premiums	740,900.00	319,800.00	443,200.00	617,500.00
Tower Lease Agreement	0.19	4,734.48	4,339.90	394.77
Train Station	20,000.00			20,000.00
UCC Inspections-Chase	1,356.25			1,356.25
UCC-Queensgate	2,448.67			2,448.67
Van Horne Plaza	16,363.76			16,363.76
Due St. of NJ:				
DCA State Training Fees	15,349.60	14,165.00	10,962.00	18,552.60
Marriage/Civil Union Licenses	1,900.00	2,325.00	3,525.00	700.00
Total	2,600,816.47	7,660,803.32	8,045,885.95	2,215,733.84
Total	\$ 2,622,638.37	\$ 7,668,830.78	\$ 8,046,523.05	\$ 2,244,946.10

Ref. B

B

Analysis of Grants Receivable - Coronavirus Relief Fund

Housing/Property Maintenance Penalties	\$ 7,251.90
Police Donations	9,057.75
Recreation Commission	4,093.50
Storm Recovery	13,580.00
Unemployment	9,303.43
	\$ 43,286.58

DOG LICENSE FEES COLLECTED

<u>YEAR</u>		<u>AMOUNT</u>
2018	\$	21,534.26
2019		6,884.44
		\$ 28,418.70

Note: R.S. 4:19.11

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

General Capital Fund

**SCHEDULE OF GENERAL CAPITAL FUND CASH
AND INVESTMENTS - TREASURER**

	<u>REF.</u>		
Balance - December 31, 2019	C		\$ 2,050,867.01
Increased by Receipts:			
Premium on Bonds & Bond Anticipation Notes	C-1	\$ 326,200.00	
Miscellaneous	C-1	1,643.54	
Payment of Debt Service	C-6	103,375.00	
Deferred Charges to Future Taxation - Unfunded			
Serial Bonds	C-8	4,660,000.00	
Bond Anticipation Notes Paydown	C-8	640,509.12	
Grants Receivable Collected	C-8	88,810.00	
Bond Anticipation Notes Issued	C-11	2,655,000.00	
Capital Improvement Fund Appropriation	C-13	100,000.00	
Interfund Loans	C-15	152,782.73	
Deferred Charges - Amount Raised	C-18	<u>339,541.25</u>	
			<u>9,067,861.64</u>
			11,118,728.65
Decreased by Disbursements:			
Fund Balance Appropriated as Current Revenue	C-1	440,000.00	
Bond Anticipation Notes Redeemed	C-11	6,024,577.00	
Improvement Authorizations	C-12	2,696,247.05	
Interfund Loans	C-15	15,918.23	
Reserve for Preliminary Expenses	C-16	<u>7,750.00</u>	
			<u>9,184,492.28</u>
Balance - December 31, 2020	C,C-3		<u><u>\$ 1,934,236.37</u></u>

ANALYSIS OF CASH AND INVESTMENTS
GENERAL CAPITAL FUND

	BALANCE DECEMBER 31, 2019	BALANCE DECEMBER 31, 2020
Fund Balance	\$ 680,646.79	\$ 568,490.33
Grants Receivable - Coronavirus Relief Fund		(32,000.00)
Due from Recreation Trust	(150,000.00)	
Due to Trust Other	15,918.23	
Due to Current Fund		2,782.73
Reserve for Encumbrances	2,341,778.43	559,367.30
Capital Improvement Fund	169,079.74	90,779.74
Reserve for Payment of Debt Service	10,125.00	113,500.00
Reserve for NJ American Water	174,787.45	174,787.45
Reserve for Codrington Place	62,441.50	62,441.50
Reserve for Preliminary Expenses		2,250.00
Due from Developer Contributions	(200,000.00)	(200,000.00)
Excess Bond Anticipation Notes	724,067.88	
Improvement Authorizations:		
East Main Street Streetscape Project	(265,950.00)	
Improvements to Church Street	(56,310.55)	
07-13 Improvements to Highland Place	(36,576.51)	(36,576.51)
08-18 Various Public Improvements	(0.96)	(0.96)
09-02 Various Public Improvements	(0.34)	(0.34)
09-05 Improvements to Livingston Street	(25,941.14)	(25,941.14)
10-12 Improvements to Church Street	(10,000.00)	(10,000.00)
10-23 Rehabilitation of Sanitary Sewers	(0.98)	(0.98)
11-03 Road Improvements 2010 Program	(0.84)	(0.84)
11-16 2011 Road Program	(14,825.74)	(0.79)
12-13 Various Public Improvements	82.64	82.64
12-14 Various Improvements - Hurricane Irene	(73,332.00)	(73,332.00)
12-19 Various Road Improvements	(27,175.42)	(27,175.42)
13-09 Repair of Church Street Culvert	(1,745.24)	(1,745.24)
14-10 Repair of Recreation Bldg & Acquis. Of Equip.	2,968.65	2,968.65
14-11 Various Public Improvements	(13,284.93)	(39,851.65)
15-08 Various Improvements to Train Station	34,484.43	34,484.43
16-02 Road Reconstruction - Thompson Ave	(37,670.86)	(37,670.86)
16-03 Sewer Repair & Rehab	(17,755.75)	(15,300.00)
17-09 Various Equipment	590.80	590.80
17-16 Renovations of the Ball Field at Rock Machine Park	(6,400.14)	(6,400.14)
17-17 Various Capital Improvements	50,158.06	34,576.34
18-09 Reconstruction of East Second Street	163,008.17	124,600.78
18-27 Various Capital Improvements	(640,066.27)	(577,204.25)
19-06 Purchase of Fire Gear	8.45	8.45
19-12 Emergency Cots	841.90	841.90
19-16 Various Capital Improvements	283,383.55	273,072.95
19-32 Acquisition of Equipment	9,730.54	9,730.54
19-33 Various Capital Improvements	58,425.92	41,614.59
19-35 Portion of Two Hybrid Ford Explorers	8,000.00	2,226.57
19-43 Supplement Ordinance 19-16 to Complete 2019 Road Improvements	19,364.55	19,364.55
19-46 Acquisition of a Fire Truck	(1,181,988.00)	50,776.33
20-17 Various Capital Improvements		1,018,316.39
20-26 Trunk Radio System for Police Department		(185,976.47)
20-28 Generator for Municipal Bldg		15,759.00
	<hr/>	<hr/>
Total	\$ 2,050,867.01	\$ 1,934,236.37

REF.

C, C-2

C, C-2

Exhibit C-4

**SCHEDULE OF GRANTS RECEIVABLE
GENERAL CAPITAL FUND**

Ord. No.	Capital Project/Program	BALANCE DECEMBER 31, 2019	INCREASES	DECREASES	BALANCE DECEMBER 31, 2020
18-07	CDBG	\$ 7,483.75	\$	\$ (5,000.00)	\$ 12,483.75
18-09	CDBG	80,000.00		5,000.00	75,000.00
18-27	CDBG	100,000.00		88,810.00	11,190.00
18-27	NJ DOT	82,750.00			82,750.00
19-16	NJ DOT	93,750.00		93,750.00	-
20-17	Coronavirus Relief Fund		32,000.00		32,000.00
	Total	\$ 363,983.75	\$ 32,000.00	\$ 182,560.00	\$ 213,423.75
	<u>REF.</u>	C	C-12	C-17	C

Exhibit C-5

**SCHEDULE OF DEVELOPER CONTRIBUTIONS RECEIVABLE
GENERAL CAPITAL FUND**

Ord. No.	Capital Project/Program	BALANCE DECEMBER 31, 2019	BALANCE DECEMBER 31, 2020
15-08	Various Improvements to Train Station	\$ 200,000.00	\$ 200,000.00
	Total	\$ 200,000.00	\$ 200,000.00
	<u>REF.</u>	C	C

SCHEDULE OF RESERVE FOR PAYMENT OF DEBT SERVICE
GENERAL CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 10,125.00
Increased by:		
Due from Current Fund	C-2	<u>103,375.00</u>
Balance - December 31, 2020	C	<u>\$ 113,500.00</u>

**SCHEDULE OF DEFERRED CHARGES - FUNDED
GENERAL CAPITAL FUND**

	<u>REF.</u>	<u>TOTAL</u>	<u>SERIAL BONDS</u>	<u>INFRASTRUCTURE LOANS</u>	<u>SCIA LOANS</u>
Balance - December 31, 2019	C	\$ 13,373,975.70	\$ 12,932,000.00	\$ 52,720.12	\$ 389,255.58
Increased by:					
Bonds/Loans Issued	C-9	<u>4,660,000.00</u>	<u>4,660,000.00</u>		
		18,033,975.70	17,592,000.00	52,720.12	389,255.58
Decreased by:					
Serial Bonds & Loans Paid From Budget Appropriation	C-9,C-10,C-14	<u>1,142,838.94</u>	<u>1,010,000.00</u>	<u>10,349.04</u>	<u>122,489.90</u>
Balance - December 31, 2020	C	<u>\$ 16,891,136.76</u>	<u>\$ 16,582,000.00</u>	<u>\$ 42,371.08</u>	<u>\$ 266,765.68</u>

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

ORD. NO.	IMPROVEMENT DESCRIPTION						ANALYSIS OF BALANCE DEC. 31, 2020		UNEXPEND. BAL. OF IMPROV. AUTHOR.	
		BALANCE DEC. 31, 2019	2020 AUTHORI- ZATIONS	BONDS ISSUED	OTHER FUNDING	BUDGET APPROP.	BALANCE DEC. 31, 2020	BOND ANTIC. NOTES		EXPENDED
General Improvements										
07-13	Improvements to Highland Place	\$ 36,576.51					\$ 36,576.51		\$ 36,576.51	
08-18	Various Public Improvements	0.96					0.96		0.96	
09-02	Various Public Improvements	0.34					0.34		0.34	
09-05	Improvements to Livingston Street	25,941.14					25,941.14		25,941.14	
10-12	Improvements to Church Street	10,000.00					10,000.00		10,000.00	
10-23	Rehabilitation of Sanitary Sewers	0.98					0.98		0.98	
11-03	Road Improvements 2010 Program	0.84					0.84		0.84	
11-16	2011 Road Program	0.79					0.79		0.79	
12-14	Various Improvements - Hurricane Irene	73,332.00					73,332.00		73,332.00	
12-19	Various Road Improvements	77,379.87					77,379.87		27,175.42	50,204.45
13-09	Repair of Church Street Culvert	78,277.00					78,277.00		1,745.24	76,531.76
13-15	Various Road Improvements	623,832.37		433,866.53		189,965.84	-			
14-11	Various Public Improvements	1,719,788.00		1,120,573.29		224,114.71	375,100.00		39,851.65	335,248.35
15-08	Various Improvements to Train Station	450,000.00					450,000.00			450,000.00
16-02	Road Reconstruction - Thompson Ave	222,670.86		158,571.43		26,428.57	37,670.86		37,670.86	
16-03	Sewer Repair & Rehab	160,300.00				145,000.00	15,300.00		15,300.00	
17-16	Renovations of the Ball Field at Rock Machine Park	6,400.14					6,400.14		6,400.14	
17-17	Various Capital Improvements	1,158,250.00		1,158,250.00			-			
18-07	Improvements to Codrington Park	186,988.75		186,988.75			-			
18-09	Reconstruction of East Second Street	380,000.00		380,000.00			-			
18-27	Various Capital Improvements	829,375.00			88,810.00		740,565.00		577,204.25	163,360.75
19-16	Various Capital Improvements	1,048,750.00		993,750.00		55,000.00	-			
19-33	Various Capital Improvements	228,000.00		228,000.00			-			
19-46	Purchase of a Fire Truck	1,235,000.00					1,235,000.00	1,235,000.00		
20-17	Various Capital Improvements		1,420,000.00				1,420,000.00	1,420,000.00		
20-26	Trunk Radio System for Police Department		193,000.00				193,000.00		185,976.47	7,023.53
Total		\$ 8,550,865.55	\$ 1,613,000.00	\$ 4,660,000.00	\$ 88,810.00	\$ 640,509.12	\$ 4,774,546.43	\$ 2,655,000.00	\$ 1,037,177.59	\$ 1,082,368.84
	<u>REF.</u>	C	C- 12	C-2,C-9	C-2	C-2	C	C-11	C-3	
Unexpended Balances of Unfunded Improv. Authors.										
\$ 2,151,461.56										
Less: Unexpended Proceeds of Bond Anticipation Notes										
<u>Ord. No.</u>										
19-46 50,776.33										
20-17 1,018,316.39										
<u>1,069,092.72</u>										
<u>\$ 1,082,368.84</u>										

**SCHEDULE OF GENERAL SERIAL BONDS
GENERAL CAPITAL FUND**

ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS		INTEREST RATE	BALANCE DEC. 31, 2019	INCREASE	DECREASE	BALANCE DEC. 31, 2020							
			OUTSTANDING - DEC. 31, 2020 DATE	AMOUNT												
General Improvement	04/21/16	\$ 9,747,000.00	02/01/21	\$ 447,000.00	4.000%	\$ 8,692,000.00	\$	\$ 420,000.00	\$ 8,272,000.00							
			02/01/22	475,000.00	4.000%											
			02/01/23	500,000.00	4.000%											
			02/01/24	525,000.00	4.000%											
			02/01/25	550,000.00	2.000%											
			02/01/26	575,000.00	2.000%											
			02/01/27	650,000.00	2.125%											
			02/01/28	650,000.00	2.250%											
			02/01/29	650,000.00	2.375%											
			02/01/30	650,000.00	2.500%											
			2/1/31-34	650,000.00	3.000%											
			General Improvement Refunding	09/15/16	4,830,000.00					02/15/21	615,000.00	4.000%	4,240,000.00		590,000.00	3,650,000.00
2/15/22-24	610,000.00	4.000%														
02/15/25	605,000.00	4.000%														
02/15/26	600,000.00	4.000%														
General Improvement	08/06/20	4,660,000.00	08/01/21	260,000.00	3.000%											
			08/01/22	260,000.00	2.000%											
			08/01/23	260,000.00	3.000%											
			08/01/24	285,000.00	3.000%											
			08/01/25	290,000.00	3.000%											
			08/01/26	305,000.00	4.000%											
			08/01/27	500,000.00	4.000%											
			08/01/28	500,000.00	2.000%											
			08/01/29	500,000.00	2.000%											
			08/01/30	500,000.00	2.000%											
			08/01/31	500,000.00	2.000%											
			08/01/32	500,000.00	2.000%											
										4,660,000.00			4,660,000.00			
										\$ 12,932,000.00	\$ 4,660,000.00	\$ 1,010,000.00	\$ 16,582,000.00			
REF.						C	C-6	C-7	C							

**SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE
GENERAL CAPITAL FUND**

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 52,720.12
Decreased by:		
Paid by Budget Appropriation	C-7	<u>10,349.04</u>
Balance - December 31, 2020	C	<u>\$ 42,371.08</u>

Maturity Schedule-Loans Outstanding December 31, 2020:

<u>Year</u>	<u>Trust Loan</u>	<u>Fund Loan</u>	<u>Total</u>
2021	\$ 2,937.61	\$ 7,501.42	\$ 10,439.03
2022	3,034.26	7,501.42	10,535.68
2023	3,139.85	7,501.42	10,641.27
2024	<u>3,253.51</u>	<u>7,501.59</u>	<u>10,755.10</u>
	<u>\$ 12,365.23</u>	<u>\$ 30,005.85</u>	<u>\$ 42,371.08</u>

**SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
GENERAL CAPITAL FUND**

ORD. NUMBER	PURPOSE	ORIGINAL ISSUE		DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE			BALANCE DEC. 31, 2020	
		DATE	AMOUNT				DEC. 31, 2019	INCREASED	DECREASED		
13-15	Various Road Improvements	12/19/13	\$ 1,195,000.00	04/18/19	04/17/20	2.50%	\$ 945,839.00	\$ -	\$ 945,839.00	\$ -	
14-11	Various Public Improvements	12/18/15	1,300,000.00	04/18/19	04/17/20	2.50%	1,344,688.00		1,344,688.00		
16-02	Road Reconstruction - Thompson Ave	04/21/17	210,000.00	04/18/19	04/17/20	2.50%	185,000.00		185,000.00		
16-03	Sewer Repair & Rehab	04/21/17	150,000.00	04/18/19	04/17/20	2.50%	145,000.00		145,000.00		
17-17	Various Capital Improvements	08/09/18	1,158,250.00	08/08/19	08/07/20	2.00%	1,158,250.00		1,158,250.00		
18-07	Improvements to Codrington Park	08/09/18	307,800.00	08/08/19	08/07/20	2.00%	307,800.00		307,800.00		
18-09	Reconstruction of East Second Street	08/09/18	380,000.00	08/08/19	08/07/20	2.00%	380,000.00		380,000.00		
19-16	Various Capital Improvements	08/08/19	1,330,000.00	08/08/19	08/07/20	2.00%	1,330,000.00		1,330,000.00		
19-33	Various Capital Improvements	08/08/19	228,000.00	08/08/19	08/07/20	2.00%	228,000.00		228,000.00		
19-46	Fire Truck Purchase	08/21/20	1,235,000.00	08/21/20	08/20/21	0.75%		1,235,000.00		1,235,000.00	
20-17	Various Capital Improvements	08/21/20	1,235,000.00	08/21/20	08/20/21	0.75%		1,420,000.00		1,420,000.00	
Total							<u>\$ 6,024,577.00</u>	<u>\$ 2,655,000.00</u>	<u>\$ 6,024,577.00</u>	<u>\$ 2,655,000.00</u>	
							<u>REF.</u>	C	C-2	C-2	C

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL AMOUNT AUTHORIZED	BALANCE DECEMBER 31, 2019		2020 AUTHOR.	RESERVE FOR ENCUMB.		PAID OR CHARGED	BALANCE DECEMBER 31, 2020	
			FUNDED	UNFUNDED		2019	2020		FUNDED	UNFUNDED
<u>General Improvements:</u>										
12-13	Various Public Improvements	\$ 1,000,000.00	\$ 82.64	\$	\$	\$	\$	\$	\$ 82.64	\$
12-19	Various Road Improvements	1,480,425.00		50,204.45						50,204.45
13-09	Repair of Church Street Culvert	225,000.00		76,531.76						76,531.76
14-10	Repair of Recreation Bldg & Acquis. Of Equip.	163,000.00	2,968.65						2,968.65	
14-11	Various Public Improvements	2,225,000.00		361,815.07			5,428.12	21,138.60		335,248.35
15-08	Various Improvements to Train Station	650,000.00	34,484.43	450,000.00		65,500.00	34,500.00	31,000.00	34,484.43	450,000.00
17-09	Various Equipment	199,000.00	590.80			19,457.20	19,457.20		590.80	
17-17	Various Capital Improvements	1,562,000.00		50,158.06				15,581.72	34,576.34	
18-09	Reconstruction of East Second Street	400,000.00		163,008.17			35,000.00	3,407.39	124,600.78	
18-27	Various Capital Improvements	1,110,000.00		189,308.73		656,320.13	64,008.24	618,259.87		163,360.75
19-06	Purchase of Fire Gear	35,000.00	8.45			3,450.15	28.60	3,421.55	8.45	
19-12	Emergency Cots	12,000.00	841.90						841.90	
19-16	Various Capital Improvements	1,400,000.00		283,383.55		185,114.04	54,929.11	140,495.53	273,072.95	
19-32	Acquisition of Equipment	94,500.00	9,730.54			38,374.83		38,374.83	9,730.54	
19-33	Various Capital Improvements	390,000.00		58,425.92		126,574.08		143,385.41	41,614.59	
19-35	Portion of Two Hybrid Ford Explorers	8,000.00	8,000.00					5,773.43	2,226.57	
19-43	Supplement Ordinance 19-16 to Complete 2019 Road Improvements	50,000.00	19,364.55						19,364.55	
19-46	Acquisition of a Fire Truck	1,300,000.00		53,012.00		1,246,988.00		1,249,223.67		50,776.33
20-17	Various Capital Improvements	1,491,500.00			1,491,500.00		78,998.56	394,185.05		1,018,316.39
20-26	Trunk Radio System for Police Department	203,000.00			203,000.00		195,976.47			7,023.53
20-28	Generator for Municipal Bldg	86,800.00			86,800.00		71,041.00		15,759.00	
Total			\$ 76,071.96	\$ 1,735,847.71	\$ 1,781,300.00	\$ 2,341,778.43	\$ 559,367.30	\$ 2,664,247.05	\$ 559,922.19	\$ 2,151,461.56
REF.			C	C		C	C	Below	C	C
Def. Chgs. to Future Taxation - Unfunded			C-8		\$ 1,613,000.00					
Reserve for Capital Improvement Fund			C-13		168,300.00					
					\$ 1,781,300.00					
Cash Disbursements			C-2					\$ 2,696,247.05		
Less: Grants Receivable - COVID CRF			C-4					32,000.00		
								\$ 2,664,247.05		

**SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND**

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 169,079.74
Increased by:		
Budget Appropriation	C - 2	<u>100,000.00</u>
		269,079.74
Decreased by:		
Funding for Improvement Authorizations	C-12	\$ 168,300.00
Reserve for Preliminary Expenses	C-16	<u>10,000.00</u>
		<u>178,300.00</u>
Balance - December 31, 2020	C	<u><u>\$ 90,779.74</u></u>

**SCHEDULE OF SCIA LOANS PAYABLE
GENERAL CAPITAL FUND**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF LOANS OUTSTANDING - DEC. 31, 2020</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2019</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2020</u>
			<u>DATE</u>	<u>AMOUNT</u>				
SCIA Loan	12/18/18	\$ 263,178.37	11/30/21	\$ 52,574.23	3.477%	\$ 214,078.04	\$ 50,807.60	\$ 163,270.44
			11/30/22	54,402.29	3.477%			
			11/30/23	56,293.92	3.477%			
SCIA Loan	12/18/18	131,300.00	11/30/21	45,279.77	3.498%	89,029.20	43,749.43	45,279.77
SCIA Loan	12/18/19	84,975.99	11/30/21	28,708.92	2.774%	86,148.34	27,932.87	58,215.47
			11/30/22	29,506.55	2.774%			
						<u>\$ 389,255.58</u>	<u>\$ 122,489.90</u>	<u>\$ 266,765.68</u>
<u>REF.</u>						C	C-7	C

**SCHEDULE OF INTERFUNDS
GENERAL CAPITAL FUND**

	BALANCE DECEMBER 31 2019	INCREASES	DECREASES	BALANCE DECEMBER 31 2020
Interfund Loans Due From or (To):				
Current Fund	\$ -		\$ 2,782.73	\$ (2,782.73)
Trust Other Fund	(15,918.23)	15,918.23		-
Recreation- Trust Fund	150,000.00		150,000.00	-
Total	\$ 134,081.77	\$ 15,918.23	\$ 152,782.73	\$ (2,782.73)
<u>REF.</u>	C	C-2	C-2	C

**SCHEDULE OF VARIOUS RESERVES
GENERAL CAPITAL FUND**

	Balance Dec. 31, 2019	Increases	Decreases	Balance Dec. 31, 2020
Reserve for:				
Grove Street - NJ American Water	\$ 2,659.95	\$ -	\$ -	\$ 2,659.95
NJ American Water	172,127.50			172,127.50
Codrington Place	62,441.50			62,441.50
Preliminary Expenses		10,000.00	7,750.00	2,250.00
	<u>\$ 237,228.95</u>	<u>\$ 10,000.00</u>	<u>\$ 7,750.00</u>	<u>\$ 239,478.95</u>
<u>REF.</u>	C	C-13	C-2	C

**SCHEDULE OF RESERVES FOR GRANTS RECEIVABLE
GENERAL CAPITAL FUND**

	December 31, 2019	Decreases	December 31, 2020
Reserve for:			
Ordinance			
18-07 CDBG	\$ 7,483.75	\$ (5,000.00)	\$ 12,483.75
18-09 CDBG	80,000.00	5,000.00	75,000.00
18-27 CDBG	100,000.00	88,810.00	11,190.00
18-27 NJ DOT	82,750.00		82,750.00
19-16 NJ DOT	93,750.00	93,750.00	-
Total	<u>\$ 363,983.75</u>	<u>\$ 182,560.00</u>	<u>\$ 181,423.75</u>
<u>REF.</u>	C	C-4	C

SCHEDULE OF DEFERRED CHARGES
GENERAL CAPITAL FUND

	BALANCE DECEMBER <u>31, 2019</u>	RAISED IN 2020 <u>BUDGET</u>	BALANCE DECEMBER <u>31, 2020</u>
Unfunded General Capital - Cancellation of Grants Receivable	\$ <u>339,541.25</u>	\$ <u>339,541.25</u>	\$ <u>-</u>
	\$ <u><u>339,541.25</u></u>	\$ <u><u>339,541.25</u></u>	\$ <u><u>-</u></u>
<u>REF.</u>	C	C-2	C

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2019	2020 AUTHORIZATIONS	BOND ANTICIPATION NOTES REDEEMED	SERIAL BONDS ISSUED	BOND ANTICIPATION NOTES ISSUED	PAID BY CURRENT BUDGET	PY EXCESS BAN'S	GRANTS RECEIVABLE	BALANCE DECEMBER 31, 2020
07-13	Improvements to Highland Place	\$ 36,576.51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,576.51
08-18	Various Public Improvements	0.96								0.96
09-02	Various Public Improvements	0.34								0.34
09-05	Improvements to Livingston Street	25,941.14								25,941.14
10-12	Improvements to Church Street	10,000.00								10,000.00
10-23	Rehabilitation of Sanitary Sewers	0.98								0.98
11-03	Road Improvements 2010 Program	0.84								0.84
11-16	2011 Road Program	0.79								0.79
12-14	Various Improvements - Hurricane Irene	73,332.00								73,332.00
12-19	Various Road Improvements	77,379.87								77,379.87
13-09	Repair of Church Street Culvert	78,277.00								78,277.00
13-15	Various Road Improvements	-		945,839.00	433,866.53		189,965.84	322,006.63		-
14-11	Various Public Improvements	375,100.00		1,344,688.00	1,120,573.29		224,114.71			375,100.00
15-08	Various Improvements to Train Station	450,000.00								450,000.00
16-02	Road Reconstruction - Thompson Ave	37,670.86		185,000.00	158,571.43		26,428.57			37,670.86
16-03	Sewer Repair & Rehab	15,300.00		145,000.00			145,000.00			15,300.00
17-16	Renovations of the Ball Field at Rock Machine Park	6,400.14								6,400.14
17-17	Various Capital Improvements	-		1,158,250.00	1,158,250.00					-
18-07	Improvements to Codrington Park	-		307,800.00	186,988.75			120,811.25		-
18-09	Reconstruction of East Second Street	-		380,000.00	380,000.00					-
18-27	Various Capital Improvements	829,375.00							88,810.00	740,565.00
19-16	Various Capital Improvements	-		1,330,000.00	993,750.00		55,000.00	281,250.00		-
19-33	Various Capital Improvements	-		228,000.00	228,000.00					-
19-46	Purchase of a Fire Truck	1,235,000.00				1,235,000.00				-
20-17	Various Capital Improvements	-	1,420,000.00			1,420,000.00				-
20-26	Trunk Radio System for Police Department	-	193,000.00							193,000.00
Total		\$ 3,250,356.43	\$ 1,613,000.00	\$ 6,024,577.00	\$ 4,660,000.00	\$ 2,655,000.00	\$ 640,509.12	\$ 724,067.88	\$ 88,810.00	\$ 2,119,546.43

Footnote C

Footnote C

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**



**PART III
SUPPLEMENTARY DATA**

BOROUGH OF BOUND BROOK
SOMERSERT COUNTY, NEW JERSEY

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

<u>ASSETS</u>	<u>CURRENT FUND</u>	<u>TRUST FUND</u>	<u>GENERAL CAPITAL FUND</u>	<u>GOVERNMENTAL FIXED ASSETS</u>	<u>MEMORANDUM ONLY TOTALS* BALANCE DEC. 31,2020</u>	<u>BALANCE DEC. 31,2019</u>
Cash and Investments	\$ 4,939,271.24	\$ 2,244,946.10	\$ 1,934,236.37	\$	\$ 9,118,453.71	\$ 9,365,008.74
Accounts Receivable:						
State & Federal Grants Receivable	1,065,484.55	43,286.58	213,423.75		1,322,194.88	1,188,878.35
Due from State of New Jersey	1,746.48				1,746.48	3,746.48
Taxes, Assessments, Liens, Sewer & Refuse Charges	833,745.42	3,641.64			837,387.06	651,864.66
Interfund Loans	7,202.69				7,202.69	157,217.07
Other Accounts Receivable	8,737.90		200,000.00		208,737.90	218,911.79
Governmental Fixed Assets				20,028,112.00	20,028,112.00	18,960,390.11
Deferred Charges to Revenue of Succeeding Years	362,914.85				362,914.85	349,541.25
Deferred Charges to Future Taxation: General Capital Fund			21,665,683.19		21,665,683.19	21,924,841.25
	<u>\$ 7,219,103.13</u>	<u>\$ 2,291,874.32</u>	<u>\$ 24,013,343.31</u>	<u>\$ 20,028,112.00</u>	<u>\$ 53,552,432.76</u>	<u>\$ 52,820,399.70</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>CURRENT FUND</u>	<u>TRUST FUND</u>	<u>GENERAL CAPITAL FUND</u>	<u>GOVERNMENTAL FIXED ASSETS</u>	<u>MEMORANDUM ONLY TOTALS BALANCE DEC. 31,2020</u>	<u>BALANCE DEC. 31,2019</u>
Bonds, Notes and Loans Payable	\$ 350,000.00	\$	\$ 19,546,136.76	\$	\$ 19,896,136.76	\$ 19,398,552.70
Prepaid Taxes, Assessments, Utility Charges and Licenses	185,505.19				185,505.19	159,191.56
Tax, Assessment, Lien, License and Utility Charge Overpayments	3,700.57				3,700.57	1,690.57
Appropriation Reserves	922,761.66				922,761.66	864,928.71
Reserve for Encumbrances/ Accounts Payable	477,580.65	880.85	559,367.30		1,037,828.80	2,596,937.98
Other Liabilities		2,254.06			2,254.06	2,254.06
Due to County Added & Omitted	3,101.87				3,101.87	6,369.79
Special District Tax Payable	9,858.67				9,858.67	9,858.69
Amts. Pledged to Specific Purposes	1,309,296.42	2,267,994.59	622,932.44		4,200,223.45	4,701,384.27
Improvement Authorizations			2,713,633.75		2,713,633.75	1,811,919.67
Interfund Loans	228.44	4,191.52	2,782.73		7,202.69	157,217.07
Investments in Govtmt. Fixed Assets				20,028,112.00	20,028,112.00	18,960,390.11
Reserve for Certain Assets Acquired or Receivables & Inventories	849,686.01				849,686.01	674,345.38
Fund Balance	<u>3,107,383.65</u>	<u>16,553.30</u>	<u>568,490.33</u>	<u>20,028,112.00</u>	<u>3,692,427.28</u>	<u>3,475,359.14</u>
	<u>\$ 7,219,103.13</u>	<u>\$ 2,291,874.32</u>	<u>\$ 24,013,343.31</u>	<u>\$ 20,028,112.00</u>	<u>\$ 53,552,432.76</u>	<u>\$ 52,820,399.70</u>

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

Revenue and Other Income Realized	Year 2020		Year 2019	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 865,943.20	2.55	\$ 764,516.00	2.24
Miscellaneous - From Other Than				
Local Property Tax Levies	7,369,645.06	21.73	7,714,610.65	22.63
Collection of Delinquent Taxes and Tax Title Liens	401,572.00	1.18	497,133.72	1.46
Collection of Current Tax Levy	25,280,716.76	74.54	25,119,583.48	73.67
Total Income	33,917,877.02	100.00	34,095,843.85	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	15,954,014.26	48.23	15,176,458.85	46.77
County Taxes	3,338,997.80	10.09	3,285,349.96	10.12
Local School Taxes	13,657,924.00	41.29	13,863,809.00	42.73
Other Charges	129,688.01	0.39	123,400.41	0.38
Total Expenditures	33,080,624.07	100.00	32,449,018.22	100.00
Excess in Revenues	837,252.95		1,646,825.63	
Adj. to Income Before Fund Balance:				
COVID Revenue Relief Which is by Statute				
Deferred Charges to Budget of Succeeding Years	357,914.85			
Statutory Excess to Fund Balance	1,195,167.80		1,646,825.63	
Fund Balance January 1	2,778,159.05		1,895,849.42	
	3,973,326.85		3,542,675.05	
Less:				
Utilization as Anticipated Revenue	865,943.20		764,516.00	
Fund Balance December 31	\$ 3,107,383.65		\$ 2,778,159.05	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rate:</u>	<u>\$3.087</u>	<u>\$3.237</u>	<u>\$3.334</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>1.048</u>	<u>1.048</u>	<u>1.052</u>
County	<u>0.401</u>	<u>0.420</u>	<u>0.413</u>
Local School	<u>1.638</u>	<u>1.769</u>	<u>1.869</u>
<u>Assessed Valuation:</u>			
2020	<u>\$833,724,621.00</u>		
2019		<u>\$783,642,544.00</u>	
2018			<u>\$752,797,828.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2020	\$ 25,888,897.94	\$ 25,280,716.76	97.65%
2019	25,552,510.28	25,119,583.48	98.31%
2018	25,233,249.93	24,669,476.32	97.77%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2020	\$ 45,118.11	\$ 555,661.85	\$ 600,779.96	2.32%
2019	40,667.23	403,130.18	443,797.41	1.74%
2018	150,327.64	498,691.54	649,019.18	2.57%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No Properties have been acquired, reported or recorded in CY 2020 or as at December 31, 2019 by foreclosure or deed.

COMPARISON OF SEWER BILLINGS AND COLLECTIONS (Component of Current Fund)

<u>Year</u>		<u>Billings</u>	<u>Collections</u>
2020	\$	1,718,782.60	\$ 1,693,693.70
2019		1,477,851.64	1,466,836.27
2018		1,577,985.70	1,601,493.97

COMPARISON OF REFUSE BILLINGS AND COLLECTIONS (Component of Current Fund)

<u>Year</u>		<u>Billings</u>	<u>Collections</u>
2020	\$	638,500.00	\$ 635,049.05
2019		576,708.58	573,554.60
2018		575,309.38	579,575.56

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance</u> <u>December 31</u>	<u>Utilized in</u> <u>Budget of</u> <u>Succeeding Year</u>
Current Fund	2020	\$ 3,107,383.65	\$ 800,000.00
	2019	2,778,159.05	865,943.20
	2018	1,895,849.42	764,516.00
	2017	889,682.40	838,476.43
	2016	904,193.49	800,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2020:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Robert Fazen	Mayor	
Elizabeth Jannuzzi	President of Council	
Brad Geleta	Councilperson	
Abel Gomez	Councilperson	
Jake Hardin	Councilperson	
Richard Jannuzzi	Councilperson	
Vinnie Petti	Councilperson	
Hector Herrera	Borough Administrator	
Natasha Turchan	Chief Financial Officer	
Cindy Griffith	Tax Collector	\$1,000,000.00 (A)
Jasmine Mathis	Borough Clerk/Assistant Administrator	
Michael Imbriaco	Tax Assessor	
Vito Bet	Chief of Police	
Michael Fedun, Esq.	Borough Magistrate	\$1,000,000.00 (A)
Valarie Vasquez	Court Administrator	\$1,000,000.00 (A)
Wendy Rubinstein, Esq.	Borough Attorney	

(A) Blanket Bond \$1,000,000.00 Middlesex County Municipal Joint Insurance Fund.

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

PART IV

**GENERAL COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2020**

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

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Bound Brook, County of Somerset, New Jersey, for the year ended December 31, 2020, has been completed. The General Comments are herewith set forth:

Scope of Audit

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

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

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Bound Brook, County of Somerset, New Jersey as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

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

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

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

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

GENERAL COMMENTS

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

Control Deficiencies:

2020-1 Segregation of Duties - Outside Offices & Departments

Conditions exist whereby the same person may collect, record (if a record is maintained) and deposit cash receipts in the following offices - Clerk, Police, Construction Code, Fire Prevention/Housing Inspection, Recreation, and Municipal Court.

This condition is the result of multiple tasks performed by the same individual within the respective offices.

2020-2 Segregation of Duties – Finance & Tax Office

Conditions exist whereby the same person may collect, record and deposit cash receipts in the following: Finance and Tax Office, respectively.

This condition is the result of multiple tasks performed by the same individual within the respective offices.

The reporting of these deficiencies does not affect our report dated September 14, 2021 on the financial statements of the Borough of Bound Brook. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Other Matters

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

N.J.S.A. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3, of this act, shall be made or awarded only after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500.00 except by contract or agreement."

On January 22, 2021, the Local Public Contracts Law was amended, effective on July 1, 2020. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$40,000.00 to \$44,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the limits described above within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

GENERAL COMMENTS

Other Matters (Cont'd.)

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

Street Sweeper; Caterpillar Emergency Generator system

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The examination of expenditures disclosed no exceptions.

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

Audit Services, Legal Services, Engineering Services, Grant Writing Services, Planning Board Services, Inspection Services.

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

Our tests revealed the use of confirming orders during the period ended December 31, 2020. A confirming order is indicative of a failure to follow the state mandated encumbrance accounting process wherein a requisition is submitted and reviewed and approved by administrative and finance officials prior to the granting of authority to order goods and services. Encumbrance accounting is a key component of the controls to assure compliance with the Public Contracts and Budget laws. The importance of adherence to encumbrance accounting should be communicated to departmental officials and additional training be provided in the event of the continuing use of confirming orders.

We recommend the Borough review the use of confirming orders for compliance with the requirements for budgetary accounting.

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

Compliance with P.L. 2005, c.271

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

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

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

GENERAL COMMENTS

Other Matters (Cont'd.)

The governing body, on January 2, 2020, adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Committee of the Borough of Bound Brook, that in accordance with the provisions of N.J.S.A. 54:4-67, the Tax Collector of the Borough of Bound Brook be, and he is hereby authorized and directed to charge interest on delinquent taxes or assessments at the rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 provided, however, that no interest be charged if payment of any installment is made within ten days after the time within the same became payable.

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 19, 2020 and complete.

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

<u>Year</u>	<u>Number of Liens</u>
2020	2
2019	2
2018	2

Interfund Balances

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2020.

These interfunds, in some cases, resulted from 2020 operations. In other instances, the balances resulted from transfers based upon cash flow requirements. However, some interfund balances remained unchanged from the prior period. As the existence of these interfund balances did not result in a material distortion of income, and they are not indicative of an inability of any fund to meet its annual cash flow requirements from its own respective cash receipts, no recommendation is made as part of this report. Interfund balances should be reviewed periodically and cleared by cash transfer whenever feasible.

Investments

The Chief Financial Officer has the idle funds of the Borough deposited in interest-bearing checking accounts pursuant to the Cash Management Plan adopted for 2020. Earnings from the deposits are shown in the various funds of the Borough as of December 31, 2020.

A resolution approving all authorized depositories was approved at the Reorganization Meeting. Pursuant to N.J.S.A. 40A:5-14, a formal cash management plan is approved annually by the governing body. All bank balances and investments held by the Borough were confirmed as of December 31, 2020.

GENERAL COMMENTS

Other Matters (Cont'd.)

Payment of Claims

Claims were examined on a test basis for the year under review. Supporting documentation was on file as part of voucher packages for items tested.

We noted that the Borough Council approves bill lists by motion, and that the dollar value of the bill lists approved and a listing of the bills approved is included in the official minutes.

Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category and cash was reconciled monthly. The examination of the bail account's financial and supporting records maintained by the Municipal Court indicated that the analysis of outstanding bail was reconciled to the book balance.

The processing of traffic and criminal cases entered on the State's on-line computer system indicated no exceptions with respect to items tested.

Condition of Records - Other Officials Collecting Fees

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

Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2020, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Tax/Utility Collector.

In addition to mandatory minimums, the provisions of N.J.A.C 5:30-8.3 and 8.4, also include higher suggested coverage levels that local units are encouraged to utilize in order to provide a higher level of security of public funds. The Borough's coverages comply with the suggested coverages.

Condition of the Records – Office of Tax Collector

The records maintained by the Tax Collector were reviewed, and were found to be in generally good condition. Computerized real estate tax billings and billings adjustments were found to be in good order. The 2020 tax levy was proved to the billing records, and collection activity was proved to cash receipts records on a monthly basis.

Condition of the Records – Finance Office

The records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for each fund. The completeness and accuracy of the financial records were sufficient during the current period, and the general ledger serves as a basis for financial statement - regulatory basis preparation and presentation. Our audit revealed only minor adjustments were required to records maintained by the Finance Office

GENERAL COMMENTS

Other Matters (Cont'd.)

Bank Reconciliation Process

The bank reconciliations were reviewed for completeness and accuracy during the current period. We noted items in the reconciliation that date back to prior years. The Chief Financial Officer (CFO) is in the process of clearing these items. We suggest that the CFO continue efforts to address these prior year amounts that are included within the reconciliation.

General Capital Fund

There are deferred charges to future taxation – unfunded balances as of December 31, 2020 over five (5) years' old where the projects have been completed and payments made for cash not provided by the particular ordinances with unfinanced cost. The analysis of General Capital Fund cash included cash deficits for ordinances over five (5) years' old. The Borough is in the process of addressing these issues and as a result there were deferred charges – to be raised in subsequent years' budget that the Borough raised in its 2021 budget. We suggest that the Borough continue its efforts to address these issues.

Condition of the Records – Payroll

Audit testing of salaries and wages paid by the Borough revealed no exceptions to the amounts or rates of pay for the items tested to approved salaries by resolution or negotiated contract. During 2020, the evidence of supervisory reviews and approvals of timesheets prior to submission to the payroll office revealed no exceptions.

Administration and Accounting of State & Federal Grants

During 2020, the Borough operated programs, which were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. Based upon the myriad compliance and reporting requirements for grant awards, it is essential that grant coordinators review financial reports with the CFO before filing to assure that reported expenditures of grant funds match the official financial, records of the Borough.

The Borough reports, and the records made available to us indicate, that no single audit requirement was in effect for CY 2020.

Internal Control Documentation

AU Section 325 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough consider initiation of this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance. If possible, this documentation should be supplemented by a record of Borough positions and job descriptions, along with descriptions of the tasks that each position is expected to perform and a procedures manual identifying the steps to be taken in performing each task. While these initiatives are not required, the development of operating manuals, job descriptions, and formalized risk assessment policies and procedures would greatly enhance the overall control environment of the Borough.

GENERAL COMMENTS

Other Matters (Cont'd.)

Cybersecurity

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

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

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as “technical accounting directives”, as codified in the New Jersey Administration Code as follows:

N.J.A.C. 5:30 - 5.2 – Encumbrance Systems: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. As previously noted, the Borough is generally in compliance with this directive, with some exception noted.

N.J.A.C. 5:30 - 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough has maintained a Fixed Assets Accounting and Reporting System during the current year audit cycle, tracking all additions and retirements.

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

Compliance with Local Finance Notices

Local Finance Notice (LFN) No. 92-15 requires that the Borough prepare and file a corrective action plan in accordance with federal and state requirements. A written corrective action plan for the report year 2019 was presented and accepted by the governing body during 2020.

Status of Prior Year Recommendations

Corrective actions were taken prior to the filing of the 2020 Report of Audit to correct any matters that were the subject of recommendations included in the 2019 Report of Audit.

RECOMMENDATIONS

We recommend the following:

We recommend the Borough review the use of confirming orders for compliance with respect to the requirements for budgetary accounting.

ACKNOWLEDGMENT

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

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

Very truly yours,

PKF O'Connor Davies, LLP

PKF O'Connor Davies



Andrew G. Hodulik, CPA, RMA
No. 406