



**TOWN OF MORRISTOWN**  
**MORRIS COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEARS ENDED DECEMBER 31, 2019 and 2018**

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**TOWN OF MORRISTOWN**  
**MORRIS COUNTY, NEW JERSEY**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019 and 2018**



## Independent Auditors' Report

**The Honorable Mayor and Members of  
the Town Council  
Town of Morristown  
County of Morris  
Morristown, New Jersey**

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

We have audited the accompanying regulatory basis financial statements of the various funds and the governmental fixed assets of the Town of Morristown, Morris County, New Jersey (the "Town") which comprise the balance sheets as of and for the years ended December 31, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances for the years ended, the statements of changes in fund balances, statements of revenues, statements of expenditures for the year ended December 31, 2019 and related notes to the financial statements, which collectively comprise the Town'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") as described in Note 1. 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 of the United States; and audit requirements as prescribed by the Division. Those standards and requirements prescribed by the Division require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis 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 Town's preparation and fair 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 Town'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 opinions.

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

As described in Note 1, the financial statements are prepared by the Town on the basis of the financial reporting provisions of the Division to 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. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial positions of the Town as of December 31, 2019 and 2018, the results of its operations and changes in financial position, and where applicable, the cash flows for the years then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the respective financial position of the various funds and the governmental fixed assets of the Town of Morristown, Morris County, New Jersey, as of December 31, 2019 and 2018, and the respective results of its operations and changes in fund balance for the years then ended and statements of changes in fund balances, the statement of revenues and statements of expenditures of the various funds for the year ended December 31, 2019 and the related notes to the financial statements in accordance with the financial reporting provisions of the Division, as described in Note 1 to the financial statements.

***Emphasis of Matter – Subsequent Event***

As discussed in Note 16 to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019. (“COVID-19”). Our opinion is not modified with respect to that matter.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town’s basic financial statements. The information included in Part II – Supplementary Information in the table of contents, is presented for purposes of additional analysis as required by the Division and is not a required part of the 2019 regulatory-basis financial statements of the Town. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Report on Supplementary Information as Required by the Uniform Guidance***

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules of expenditures of federal awards, as required by *Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* is presented for purposes of additional analysis is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

July 8, 2020  
Cranford, New Jersey

*David J. Gannon*

David J. Gannon, CPA  
Licensed Registered Municipal Accountant, No. 520

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2019 AND 2018

A  
Sheet # 1

ASSETS	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b>OPERATING FUND</b>			
Cash and Cash Equivalents - Treasurer	A-4	\$ 17,629,686	\$ 17,582,538
Cash - Change Funds	A-5	250	250
Prepaid School Taxes	A-19	94,296	
		<u>17,724,232</u>	<u>17,582,788</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-7	591,656	529,825
Special Improvement District Taxes Receivable	A-8	15,827	2,986
Tax Tile Lien Receivable	A-9	136,328	129,251
Demolition Liens	A-10	2,946	2,946
FEMA Receivable	A-24		425,000
Property Acquired for Taxes - Assessed Valuation	A-11	2,193,200	2,193,200
Revenue Accounts Receivable	A-12	102,226	74,314
Due from Southeast Morris County MUA	A-14	1,740,000	1,770,000
Due from General Capital	A-16		29,749
Due from Airport Capital Fund	A-16	21,000	21,000
Due from Grant Fund	A-16		37,774
		<u>4,803,183</u>	<u>5,216,045</u>
 Total Current Fund		 <u>22,527,415</u>	 <u>22,798,833</u>
<b>GRANT FUND</b>			
Cash	A-4	207,899	78,594
Due from Current Fund	A-27	5,010	
Grant Receivable	A-26	2,566,839	2,282,831
		<u>2,779,748</u>	<u>2,361,425</u>
 Total		 <u>\$ 25,307,163</u>	 <u>\$ 25,160,258</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARTIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2019 AND 2018

A  
Sheet # 2

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	A-3, A-13	\$ 2,336,496	\$ 2,752,401
Encumbrances Payable	A-3, A-13	526,794	410,149
Accounts Payable	A-17	9,118	9,118
Prepaid Taxes	A-20	439,719	559,797
Tax Overpayments	A-21	82,093	102,285
Special Improvement District Tax Prepays	A-22	17,926	15,131
Special Improvement District Taxes Payable	A-23	21,587	8,441
County Taxes Payable	A-18	19,028	10,289
Due to State Senior Citizen and Veterans	A-6	8,386	6,636
Interfund Payable	A-16	155,010	
Due to State - Other	A-25	10,300	1,100
		<u>3,626,457</u>	<u>3,875,347</u>
Reserve for Receivables and Other Assets		4,803,183	5,216,045
Fund Balance	A-1	<u>14,097,775</u>	<u>13,707,441</u>
Total Current Fund		<u>22,527,415</u>	<u>22,798,833</u>
<b>GRANT FUND</b>			
Encumbrances Payable	A-28	5,150	5,150
Due to Current Fund	A-27		37,774
Reserve for Appropriated Grants	A-29	2,731,136	2,317,842
Reserve for Unappropriated Grants	A-15	43,462	659
Total Grant Fund		<u>2,779,748</u>	<u>2,361,425</u>
Total		<u>\$ 25,307,163</u>	<u>\$ 25,160,258</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

A-1

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 2,900,000	\$ 3,000,000
Miscellaneous Revenue Anticipated	A-2	14,611,725	15,617,006
Delinquent Taxes	A-2	535,638	529,818
Current Taxes	A-2	64,968,473	63,891,471
Non-Budget Revenue	A-2	342,510	911,589
FEMA	A-24	366,470	
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	1,688,962	773,579
Cancellation of School Taxes			2,672
Cancellation of Accounts Payable			14,709
Cancellation of SID Reserve			217,955
Interfund Returned	A-16	67,523	71,525
Total Revenues		<u>85,481,301</u>	<u>85,030,324</u>
Expenditures:			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	17,154,206	16,878,702
Other Expenses	A-3	15,542,042	17,493,328
Capital Improvements	A-3	254,000	254,000
Municipal Debt Service	A-3	3,501,574	3,560,671
Deferred Charges and Statutory Expenditures	A-3	4,362,313	3,940,628
Transferred to Regional School Board of Education	A-3	198,146	197,705
SID Receivable	A-8	12,841	
County Taxes	A-18	7,672,657	7,839,349
County Open Space Taxes	A-18	226,174	271,920
Due County - Added Taxes	A-18	19,028	10,289
Regional School Taxes	A-19	33,234,311	32,523,791
Fees - Due to State	A-25	13,675	
Total Expenditures		<u>82,190,967</u>	<u>82,970,383</u>
Statutory Excess in Fund Balance		3,290,334	2,059,941
Fund Balance, Beginning of Year	A	<u>13,707,441</u>	<u>14,647,500</u>
		16,997,775	16,707,441
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	<u>2,900,000</u>	<u>3,000,000</u>
Fund Balance, End of Year	A	<u>\$ 14,097,775</u>	<u>\$ 13,707,441</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-2  
Sheet # 1

	Ref.	Anticipated Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 2,900,000		\$ 2,900,000	
Miscellaneous Revenues					
Licenses:					
Alcoholic Beverages	A-12	93,000		82,870	\$ (10,130)
Other	A-12	125,000		135,621	10,621
Fees and Permits	A-12	585,000		615,346	30,346
Municipal Court - Fines and Costs	A-12	1,021,000		1,072,633	51,633
Interest and Costs on Taxes	A-12	115,000		134,930	19,930
Interest on Investments and Deposits	A-12	190,000		299,000	109,000
Annual Fee S.M.C.M.U.A.	A-14	30,000		30,000	
Swimming Pool Fees	A-12	115,000		113,785	(1,215)
Cablevision Fees	A-12	265,232		265,232	
Energy Receipts Tax	A-12	2,868,599		2,868,599	
Uniform Construction Code Fees	A-12	1,050,000		1,193,801	143,801
Green Space - Green Shade	A-26		\$ 20,000	20,000	
Pedestrian Safety	A-26		20,000	20,000	
Bullet Proof Vests	A-26		20,202	20,202	
NJDEP Clean Communities - Chap 159	A-26		34,928	34,928	
NJDOT Transit Village - Lafayette Ave.	A-26		200,000	200,000	
CDBG Cauldwell Playground	A-26	80,000		80,000	
NJ DOT Washington Streetscape IV	A-26	315,000		315,000	
Utility Operating Surplus - Airport Utility	A-12	215,000		215,000	
Uniform Safety Act	A-12	58,000		62,104	4,104
Rental of Property - Leases	A-12	75,000		145,500	70,500
Police Outside Duty - Administration Fees	A-12	100,000		100,000	
Anticipate General Capital Surplus	A-12	150,000		150,000	
Contribution from Sewer Utility for Indirect Costs	A-12	131,000		131,000	
Hotel/Motel Tax	A-12	635,000		606,539	(28,461)
Rent Leveling Registration	A-12	90,000		100,980	10,980
PILOT - CVS	A-12	56,664		62,729	6,065
PILOT - 55 Market Urban Renewal	A-12	123,016		172,361	49,345
PILOT - Housing Authority	A-12	78,000		79,228	1,228
PILOT - Urban Renewal - Mill Creek	A-12	683,171		571,525	(111,646)
PILOT - Leona Morris Street	A-12	92,904		59,305	(33,599)
PILOT - 55 Prospect (Modera)	A-12	218,636		360,705	142,069
Atlantic Health Settlement	A-12	492,800		492,802	2
Anticipated Sewer Utility Operating Surplus	A-12	3,800,000		3,800,000	
 Total Miscellaneous Revenues	A-1	<u>\$ 13,852,022</u>	<u>\$ 295,130</u>	<u>\$ 14,611,725</u>	<u>\$ 464,573</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-2  
Sheet # 2

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1, A-7,9	\$ 525,000		\$ 535,638	\$ 10,638
		<u>17,277,022</u>	\$ 295,130	<u>18,047,363</u>	<u>475,211</u>
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>24,271,518</u>		<u>24,638,016</u>	<u>366,498</u>
Budget Revenues	A-3	<u>\$ 41,548,540</u>	<u>\$ 295,130</u>	42,685,379	<u>\$ 841,709</u>
Non-Budget Revenues	A-1,4			<u>342,510</u>	
				<u>\$ 43,027,889</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-2  
Sheet # 3

	<u>Ref.</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collection		
Revenue from Collection	A-1, A-7	\$ 64,968,473
Allocated to Regional School and County Taxes	A-18, A-19	<u>41,152,170</u>
		23,816,303
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>821,713</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u>\$ 24,638,016</u>
 <b>ANALYSIS OF REALIZED DELINQUENT TAXES</b>		
Delinquent Taxes	A-7	\$ 528,717
Tax Title Liens	A-9	6,921
	A-1	<u>\$ 535,638</u>
 <b>Miscellaneous Revenue Not Anticipated</b>		
Public Works - Recycling		\$ 4,590
Payment in Lieu of Taxes		64,330
Towing Administration Fees		6,350
EMS Recovery		366
Refunds and Reimbursements		249,754
Other		<u>17,120</u>
	A-1, A-4	<u>\$ 342,510</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-3  
Sheet # 1

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<b>GENERAL APPROPRIATIONS</b>						
<b>OPERATIONS WITHIN "CAPS"</b>						
Department of Administration						
Town Clerk						
Salaries and Wages	\$ 292,386	\$ 292,386	\$ 292,151		\$ 235	
Other Expenses	65,720	76,020	39,829	\$ 1,361	34,830	
Business Administrator						
Salaries and Wages	385,592	385,592	372,312		13,280	
Other Expenses	155,495	155,495	103,277	4,155	48,063	
Senior Citizens						
Salaries and Wages	32,215	32,215	25,762		6,453	
Other Expenses	20,334	20,334	18,000	1,706	628	
Vital Statistics						
Salaries and Wages	130,788	130,788	118,674		12,114	
Other Expenses	23,129	23,129	2,703	2,121	18,305	
Purchasing						
Other Expenses	302,161	302,161	301,585	327	249	
Department of Public Safety						
Public Safety Director						
Salaries and Wages	142,500	142,500	141,154		1,346	
Other Expenses	8,850	8,850	882	2,422	5,546	
Police						
Salaries and Wages	6,678,417	6,678,417	6,638,721		39,696	
Other Expenses	317,451	317,451	234,944	22,794	59,713	
Fire						
Salaries and Wages	3,192,763	3,443,763	3,428,152		15,611	
Other Expenses	274,630	274,630	252,105	16,110	6,415	
Emergency Management Services						
Salaries and Wages	5,000	5,000	3,000		2,000	
Other Expenses	6,000	6,000	775	5,225		
Treasurer						
Salaries and Wages	352,881	352,881	342,238		10,643	
Other Expenses	132,674	132,674	52,800	1,000	78,874	
Tax Collector						
Salaries and Wages	212,209	212,209	212,209			
Other Expenses	21,770	21,770	17,656	863	3,251	
Tax Assessor						
Salaries and Wages	112,894	112,894	111,374		1,520	
Other Expenses	256,064	256,064	247,940		8,124	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-3  
Sheet # 2

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Code Enforcement						
Salaries and Wages	\$ 110,838	\$ 110,838	\$ 107,308		\$ 3,530	
Other Expenses	32,100	32,100	29,723		2,377	
Department of Public Health						
Salaries and Wages	164,152	164,152	157,020		7,132	
Other Expenses	23,700	23,700	10,314	\$ 204	13,182	
Rent Leveling						
Salaries and Wages	96,528	96,528	93,771		2,757	
Other Expenses	1,960	1,960			1,960	
Animal Control						
Salaries and Wages	65,951	65,951	65,394		557	
Other Expenses	11,325	11,325	8,185		3,140	
Property Maintenance						
Salaries and Wages	385,833	385,833	307,846		77,987	
Other Expenses	3,400	3,400	1,022	1,421	957	
Zoning						
Salaries and Wages	245,334	245,334	245,334			
Other Expenses	3,470	3,470	1,584	556	1,330	
Department of Public Works						
Public Works						
Salaries and Wages	2,415,160	2,415,160	2,310,525	4,034	100,601	
Other Expenses	1,783,750	1,783,750	1,284,991	171,795	326,964	
Recycling						
Salaries and Wages	74,570	74,570	73,186		1,384	
Other Expenses	1,450,000	1,450,000	1,264,622	175,764	9,614	
Bus Transportation						
Salaries and Wages	21,261	21,261	21,147		114	
Other Expenses	3,500	3,500			3,500	
Planning						
Salaries and Wages	20,000	20,000	18,890		1,110	
Other Expenses	219,885	219,885	180,757	10,275	28,853	
Engineering Services and Costs						
Salaries and Wages	247,060	247,060	242,288		4,772	
Other Expenses	13,185	13,185	4,913	7,849	423	
Recreation						
Salaries and Wages	152,821	152,821	140,763		12,058	
Other Expenses	60,418	60,418	33,271	3,304	23,843	
Burnham/Caldwell Pools						
Salaries and Wages	185,515	185,515	154,002		31,513	
Other Expenses	87,093	87,093	44,745	9,216	33,132	
Non-Departmental Appropriations						
Legal						
Salaries and Wages	115,000	115,000	111,617		3,383	
Other Expenses	250,000	250,000	194,709	35,918	19,373	
Municipal Prosecutor						
Other Expenses	60,000	60,000	45,500	10	14,490	
Insurance						
Other Expenses	785,000	785,000	765,814		19,186	
Group Hospitalization						
Other Expenses	5,598,357	5,575,057	5,125,027		450,030	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-3  
Sheet # 3

Appropriation	Appropriations		Expended			Unexpended Balances Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Memorial and Veterans Day Association						
Other Expenses	\$ 1,900	\$ 1,900	\$ 1,900			
Project Community Pride						
Other Expenses	24,800	24,800	24,800			
Teen Center						
Other Expenses	33,700	33,700	33,700			
Municipal Alliance						
Other Expenses	11,500	11,500	8,581		\$ 2,919	
Morristown Book Festival						
Other Expenses	2,500	2,500	2,500			
Morris County Tourist Bureau						
Other Expenses	5,000	5,000	5,000			
Whippany River Coalition						
Other Expenses	1,200	1,200			1,200	
Maintenance of the Green						
Other Expenses	40,000	40,000	40,000			
Shade Tree Commission						
Other Expenses	5,500	5,500	4,690	\$ 415	395	
Annual Community Family Day Festival						
Other Expenses	8,000	8,000	8,000			
Environmental Commission						
Other Expenses	2,500	2,500	1,288		1,212	
Historic Preservation Commission						
Other Expenses	2,000	2,000	225		1,775	
Uniform Construction Code-Appropriations						
Offset by Dedicated Revenues						
(N.J.A.C. 5:23-4.17)						
Salaries and Wages	733,343	733,343	699,975		33,368	
Other Expenses	230,200	230,200	183,720	6,383	40,097	
Municipal Court						
Salaries and Wages	474,695	474,695	466,063		8,632	
Other Expenses	46,592	46,592	39,889	5,630	1,073	
Public Defender						
Other Expenses	28,000	28,000	7,660	1,200	19,140	
Unclassified						
Reserve for Retirement and Sick Pay	100,000	100,000			100,000	
Reserve for Salary Increase	300,000	62,000	9,172		52,828	
Total Operation Within "CAPS"	29,860,519	29,860,519	27,539,674	492,058	1,828,787	
Contingent	5,000	5,000			5,000	
Total Operation Including Contingent Within "CAPS"	29,865,519	29,865,519	27,539,674	492,058	1,833,787	
Detail:						
Salaries and Wages	16,903,206	17,154,206	16,759,722	4,034	390,450	
Other Expenses	12,962,313	12,711,313	10,779,952	488,024	1,443,337	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-3  
Sheet # 4

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<b>GENERAL APPROPRIATIONS (Continued)</b>						
<b>DEFERRED CHARGES &amp; STATUTORY EXPENDITURES</b>						
Statutory Expenditures - Contributions to:						
Social Security System (O.A.S.I.)	\$ 687,559	\$ 687,559	\$ 632,329		\$ 55,230	
Public Employees Retirement System	928,513	928,513	928,513			
Police and Firemen's Retirement System of N.J.	14,500	14,500	56		14,444	
Consolidated Police and Firemen's Pension Fund	2,711,941	2,711,941	2,711,941			
DCRP	19,800	19,800	13,726		6,074	
<b>Total Deferred Charges and Statutory Expenditures</b>	<b>4,362,313</b>	<b>4,362,313</b>	<b>4,286,565</b>		<b>75,748</b>	
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<b>34,227,832</b>	<b>34,227,832</b>	<b>31,826,239</b>	<b>\$ 492,058</b>	<b>1,909,535</b>	
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
Free Public Library						
Direct Aid						
Other Expenses	1,002,242	1,002,242	1,002,242			
Reserve for Tax Appeals	600,000	600,000	255,016		344,984	
Interlocal Municipal Services Agreement	145,357	145,357	109,017		36,340	
Morris County Radio Dispatch	378,000	378,000	377,340		660	
Public and Private Programs Offset by Revenues:						
Green Space - Green Shade - Chap 159		20,000	20,000			
Pedestrian Safety-Chap159		20,000	20,000			
Bullet Proof Vests - Chap159		20,202	20,202			
NJDEP Clean Communities - Chap 159		34,928	34,928			
NJDOT 2019 Transit Village - Lafayette Ave. Chap 159		200,000	200,000			
CDBG Caulwell Playground Grant	80,000	80,000	80,000			
NJ DOT Washington Streetscape IV	315,000	315,000	315,000			
Grant Matching Funds	15,000	15,000			15,000	
<b>Total Operations - Excluded from "CAPS"</b>	<b>2,535,599</b>	<b>2,830,729</b>	<b>2,433,745</b>		<b>396,984</b>	
Detail:						
Salaries and Wages	16,903,206	17,154,206	16,759,722	4,034	390,450	
Other Expenses	19,860,225	15,542,042	13,213,697	488,024	1,840,321	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

A-3  
Sheet # 5

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<b>CAPITAL IMPROVEMENTS</b>						
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000			
Computer/Office Equipment	104,000	104,000	39,287	\$ 34,736	\$ 29,977	
Total Capital Improvements	254,000	254,000	189,287	34,736	29,977	
<b>MUNICIPAL DEBT SERVICE</b>						
Payment of Bond Principal	2,939,450	2,939,450	2,939,450			
Payment on Bond Anticipation Notes and Capital Notes	6,000	6,000				\$ 6,000
Interest on Bonds	423,100	423,100	423,084			16
Interest on Notes	142,700	142,700	139,040			3,660
Total Municipal Debt Service	3,511,250	3,511,250	3,501,574			9,676
<b>TRANSFERRED TO BOARD OF EDUCATION FOR USE OF LOCAL SCHOOLS (N.J.S.A. 40:48-17.1 &amp; 17.3)</b>						
	198,146	198,146	198,146			
Total Appropriations Excluded from "CAPS"	6,498,995	6,794,125	6,322,752	34,736	426,961	9,676
Sub-Total General Appropriations	40,726,827	41,021,957	38,148,991	526,794	2,336,496	9,676
<b>RESERVE FOR UNCOLLECTED TAXES</b>						
	821,713	821,713	821,713			
Total General Appropriations	\$ 41,548,540	\$ 41,843,670	\$ 38,970,704	\$ 526,794	\$ 2,336,496	\$ 9,676
	<u>Ref.</u>			A	A	
Budget	A-2	\$ 41,548,540				
Appropriation by 40A:4-87	A-26	295,130				
		<u>\$ 41,843,670</u>				
Cash Disbursed	A-4		\$ 37,110,715			
Reserve for Uncollected Taxes	A-2		821,713			
Transferred to Board of Education	A-19		198,146			
General Capital Interfund	A-16		150,000			
Due to Grant Fund	A-29		690,130			
			<u>\$ 38,970,704</u>			

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
TRUST FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2019 AND 2018

B

ASSETS	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 50,672	\$ 60,307
OTHER TRUST FUND			
Cash	B-1	4,457,009	4,492,159
EQUITABLE SHARING FUND			
Cash	B-1	136,578	719
SELF INSURANCE FUND			
Cash	B-1	138,909	744,477
		<u>\$ 4,783,168</u>	<u>\$ 5,297,662</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-2	\$ 131	\$ 612
Reserve for Animal Control Expenditures	B-3	50,541	59,695
		<u>50,672</u>	<u>60,307</u>
OTHER TRUST FUND			
Reserve for Police Forfeiture	B-5	37,147	40,228
Reserve for Unemployment Compensation	B-6	126,767	127,583
Reserve for Affordable Housing	B-7	973,602	1,386,058
Escrow Deposits Payable	B-8	1,242,556	1,182,657
Reserve for Recreation Programs	B-11	101,659	95,571
Miscellaneous Reserves and Deposits	B-12	1,700,561	1,392,376
Payroll Deductions Payable	B-9	274,717	267,686
		<u>4,457,009</u>	<u>4,492,159</u>
EQUITABLE SHARING FUND			
Reserve for Equitable Sharing	B-4	136,578	719
		<u>136,578</u>	<u>719</u>
SELF INSURANCE FUND			
Reserve for Self Insurance Expenditures	B-10	138,909	744,477
		<u>\$ 4,783,168</u>	<u>\$ 5,297,662</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2019 AND 2018

C

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	C-2	\$ 2,367,339	\$ 413,759
Interfund - Current	C-14	150,000	
Deferred Charges to Future Taxation:			
Funded	C-4	22,359,000	13,298,447
Unfunded	C-5	<u>3,865,690</u>	<u>12,921,889</u>
 Total Assets		 <u>\$ 28,742,029</u>	 <u>\$ 26,634,095</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
General Serial Bonds	C-9	\$ 22,359,000	\$ 13,298,447
Bond Anticipation Notes	C-8		7,130,240
Capital Improvement Fund	C-13	289,242	294,092
Improvement Authorizations:			
Funded	C-6	1,075,992	456,180
Unfunded	C-6	2,904,899	3,949,990
Contracts Payable	C-7	700,014	868,628
Reserve for Refunding Bond Insurance Costs	C-10	9,680	9,680
Reserve for Pay Debt Service	C-11	2,157	506
Reserve for Future Improvements	C-12	47,596	47,596
Interfund - Current	C-14		29,749
Fund Balance	C-1	<u>1,353,449</u>	<u>548,987</u>
 Total Liabilities and Fund Balance		 <u>\$ 28,742,029</u>	 <u>\$ 26,634,095</u>
 Bonds and Notes Authorized But Not Issued	C-15	 <u>\$ 3,865,690</u>	 <u>\$ 5,793,300</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CHANGES IN FUND BALANCE  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

C-1

	<u>Ref.</u>	
Balance, December 31, 2018	C	\$ 548,987
Increased by:		
Premium on Bond Sale	C-2	<u>954,462</u>
		1,503,449
Decreased by:		
Anticipated Revenue - Current Fund	C-2	<u>150,000</u>
Balance, December 31, 2019	C	<u><u>\$ 1,353,449</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2019 AND 2018

D  
Sheet # 1

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash	D-5	\$ 1,076,943	\$ 1,138,042
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	<u>225,324</u>	<u>219,349</u>
Total Operating Fund		<u>1,302,267</u>	<u>1,357,391</u>
<b>CAPITAL FUND</b>			
Cash	D-5	2,528,785	2,511,118
Fixed Capital	D-7	79,012,401	71,243,354
Fixed Capital Authorized and Uncompleted	D-8	<u>3,132,953</u>	<u>10,415,000</u>
Total Capital Fund		<u>84,674,139</u>	<u>84,169,472</u>
		<u>\$ 85,976,406</u>	<u>\$ 85,526,863</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2019 AND 2018

D  
Sheet # 2

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-9	\$ 284,399	\$ 314,185
Encumbrances Payable	D-4, D-9	92,539	41,085
Prepaid Sewer Fees	D-14	67,205	83,655
Reserve for Salary Increases	D-9		10,000
Overpayments	D-11	4,784	7,450
Accrued Interest on Bonds and Notes	D-12	64,718	73,847
		<u>513,645</u>	<u>530,222</u>
Reserve for Receivables	D	225,324	219,349
Fund Balance	D-1	563,298	607,820
		<u>1,302,267</u>	<u>1,357,391</u>
CAPITAL FUND			
Serial Bonds	D-16	2,190,000	3,445,550
Bond Anticipation Notes	D-17	1,922,000	2,222,000
Improvements Authorizations			
Funded	D-21	1,201,283	1,276,654
Unfunded	D-21	635,953	638,428
Contracts Payable	D-18	589,831	301,655
Reserve for Sewer Connection Fees	D-15	652,145	856,302
Reserve for Amortization	D-19	75,277,720	72,217,825
Deferred Reserve for Amortization	D-20	1,837,953	2,855,298
Capital Improvement Fund	D-13	152,000	152,000
Fund Balance	D-2	215,254	203,760
		<u>84,674,139</u>	<u>84,169,472</u>
		<u>\$ 85,976,406</u>	<u>\$ 85,526,863</u>
Bonds and Notes Authorized But Not Issued	D-22	<u>\$ 917,681</u>	<u>\$ 917,681</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND  
CHANGES IN OPERATING FUND BALANCE  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

D-1

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-3	\$ 200,000	\$ 200,000
Sewer Rents	D-3	7,600,873	7,625,948
Miscellaneous Revenue Anticipated	D-3	473,703	556,702
Miscellaneous Revenue Not Anticipated	D-3	352	120
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-9	50,979	72,929
Total Income		<u>8,325,907</u>	<u>8,455,699</u>
<b>EXPENDITURES</b>			
Operating	D-4	1,992,458	1,955,404
Capital Improvements	D-4	487,000	670,000
Debt Service	D-4	1,759,971	2,192,237
Deferred Charges and Statutory Expenditures	D-4	131,000	131,000
Total Expenditures		<u>4,370,429</u>	<u>4,948,641</u>
Excess Revenue		3,955,478	3,507,058
Adjustments to Income Before Fund Balance			
Anticipated Surplus Appropriated to Current Fund Budget	D-4	<u>3,800,000</u>	<u>3,300,000</u>
Statutory Excess to Fund Balance		155,478	207,058
Fund Balance, Beginning of Year	D	<u>607,820</u>	<u>600,762</u>
Decreased by:		763,298	807,820
Utilization by Sewer Operating Budget		<u>200,000</u>	<u>200,000</u>
Fund Balance, End of Year	D	<u>\$ 563,298</u>	<u>\$ 607,820</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CHANGES IN FUND BALANCE  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

D-2

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 203,760
Increased by:		
Premium on Sale of Bond Anticipation Note	D-5	<u>11,494</u>
Balance, December 31, 2019	D	<u><u>\$ 215,254</u></u>

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

D-3

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 200,000	\$ 200,000	
Sewer User Fees	D-1, D-6	7,582,708	7,600,873	\$ 18,165
Miscellaneous				
Sale of SREC's	D-1, D-5	110,000	106,813	(3,187)
Interest	D-1, D-5	22,000	31,754	9,754
Late Fees	D-1, D-5	21,000	25,636	4,636
Sewer Connection Fees	D-1, D-5	<u>250,000</u>	<u>309,500</u>	<u>59,500</u>
	D-4	<u><u>\$ 8,185,708</u></u>	<u><u>\$ 8,274,576</u></u>	<u><u>\$ 88,868</u></u>
Cash Receipts	D-5		\$ 7,517,218	
Prepaid Revenue Realized	D-14		<u>83,655</u>	
	D-1, D-6		<u><u>\$ 7,600,873</u></u>	
Miscellaneous Revenue Not Anticipated	D-1, D-5		<u><u>\$ 352</u></u>	
Interest	D-5		\$ 14,943	
Capital Interest	D-5		<u>16,811</u>	
			<u><u>\$ 31,754</u></u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

D-4

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATING</b>					
Salaries and Wage	\$ 747,927	\$ 747,927	\$ 685,244	\$ 62,683	
Other Expenses	701,795	701,795	698,815	2,980	
Other Sewer Expenses	<u>542,736</u>	<u>542,736</u>	<u>324,000</u>	<u>218,736</u>	
Total Operating	<u>1,992,458</u>	<u>1,992,458</u>	<u>1,708,059</u>	<u>284,399</u>	
<b>CAPITAL IMPROVEMENTS</b>					
Capital Improvement Fund	487,000	487,000	487,000		
<b>DEBT SERVICE</b>					
Payment of Bond Principal	1,255,550	1,255,550	1,255,550		
Payment of Note Principal	300,000	300,000	300,000		
Interest on Bonds	152,700	152,700	137,421		\$ 15,279
Interest on Notes	<u>67,000</u>	<u>67,000</u>	<u>67,000</u>		
Total Debt Service	<u>1,775,250</u>	<u>1,775,250</u>	<u>1,759,971</u>		<u>15,279</u>
<b>STATUTORY EXPENDITURES</b>					
Social Security System (O.A.S.I)	<u>131,000</u>	<u>131,000</u>	<u>131,000</u>		
Surplus (General Budget)	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,800,000</u>		
	<u>\$ 8,185,708</u>	<u>\$ 8,185,708</u>	<u>\$ 7,886,030</u>	<u>\$ 284,399</u>	<u>\$ 15,279</u>

	<u>Ref.</u>	D-3	D	D-1
Cash Disbursements	D-5		\$ 7,589,070	
Encumbrances Payable	D		92,539	
Accrued Interest on Bonds and Notes	D-12		<u>204,421</u>	
			<u>\$ 7,886,030</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

E

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash - Treasurer	E-5	\$ 30,673	\$ 22,905
Cash - Petty Cash Fund	E	<u>50</u>	<u>50</u>
Total Operating Fund		<u>30,723</u>	<u>22,955</u>
<b>CAPITAL FUND</b>			
Cash	E-5	503,484	944
Fixed Capital	E-7	62,626,686	62,626,686
Fixed Capital Authorized and Uncompleted	E-8	21,702,749	12,299,653
Due from FAA	E-9	7,366,074	2,790,705
Due from State of New Jersey	E-10	909,757	404,836
Due to/from Lessee	E-11	<u>243,852</u>	<u>37,559</u>
Total Capital Fund		<u>93,352,602</u>	<u>78,160,383</u>
Total Assets		<u>\$ 93,383,325</u>	<u>\$ 78,183,338</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	E-4, E-12	\$ 5,000	\$ 5,000
Fund Balance	E-1	<u>25,723</u>	<u>17,955</u>
Total Operating Fund		<u>30,723</u>	<u>22,955</u>
<b>CAPITAL FUND</b>			
Improvement Authorizations:			
Funded	E-13	319,663	319,663
Contracts Payable	E-16	8,575,776	2,786,653
Due to Current	E-18	21,000	21,000
Reserve for Future Improvements	E-17	106,517	106,517
Reserve for Amortization	E-14	62,626,686	62,626,686
Deferred Reserve for Amortization	E-15	21,702,749	12,299,653
Fund Balance	E-2	<u>211</u>	<u>211</u>
Total Capital Fund		<u>93,352,602</u>	<u>78,160,383</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 93,383,325</u>	<u>\$ 78,183,338</u>

There were no bonds and notes authorized, but not issued on December 31, 2019 and 2018.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE  
OPERATING FUND  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2019 AND 2018 E-1

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Revenue and Other Income Realized			
Fund Balance Utilized	E-3	\$ 13,800	\$ 13,800
Lease Rentals	E-3	221,273	217,716
Non-Budget Revenue	E-3	1,495	1,387
Other Credits to Income:			
Unexpended Balance of Appropriation	E-12	<u>5,000</u>	<u>5,000</u>
 Total Revenues		 <u>241,568</u>	 <u>237,903</u>
 Expenditures			
Budget Appropriations			
Surplus Anticipated by Current Fund	E-4	215,000	215,000
Operating	E-4	<u>5,000</u>	<u>5,000</u>
 Total Expenditures		 <u>220,000</u>	 <u>220,000</u>
 Statutory Excess to Fund Balance		 21,568	 17,903
 Fund Balance, Beginning of Year	E	 <u>17,955</u>	 <u>13,852</u>
		39,523	31,755
 Utilized as Anticipated Revenue	E-1, E-3	 <u>13,800</u>	 <u>13,800</u>
 Fund Balance, End of Year	E	 <u>\$ 25,723</u>	 <u>\$ 17,955</u>

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE  
AIRPORT UTILITY CAPITAL FUND  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2019 AND 2018 E-2

	<u>Ref.</u>	
Balance, December 31, 2019 and 2018	E	<u>\$ 211</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF REVENUES  
OPERATING FUND  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

E-3

	<u>Ref.</u>	<u>Anticipated Budget Revenues</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	E-1	\$ 13,800	\$ 13,800	
Lease Rentals	E-1	<u>206,200</u>	<u>221,273</u>	\$ 15,073
	E-4	<u>\$ 220,000</u>	<u>\$ 235,073</u>	<u>\$ 15,073</u>
Non-Budget Revenues:				
Interest Due from Capital (Net)	E-20		\$ 371	
Interest on Investments	E-5		<u>1,124</u>	
	E-1		<u>\$ 1,495</u>	

STATEMENT OF EXPENDITURES  
AIRPORT UTILITY OPERATING FUND  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2019

E-4

	<u>Appropriation</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Changed</u>	<u>Reserved</u>
Operating				
Other Expenses	\$ 5,000	\$ 5,000		\$ 5,000
Surplus Current Fund Budget	<u>215,000</u>	<u>215,000</u>	<u>\$ 215,000</u>	
	<u>\$ 220,000</u>	<u>\$ 220,000</u>	<u>\$ 215,000</u>	<u>\$ 5,000</u>
<u>Ref.</u>	E-3		E-5, E-19	E

TOWN OF MORRISTOWN  
GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2019 AND 2018

F

	<u>2019</u>	<u>2018</u>
Land and Land Improvements	\$ 92,476,858	\$ 91,544,815
Building and Building Improvements	19,361,563	18,954,658
Construction in Progress	298,133	633,020
Machinery and Equipment	<u>12,539,152</u>	<u>11,980,182</u>
	<u>\$ 124,675,706</u>	<u>\$ 123,112,675</u>
Investment in Fixed Assets	<u>\$ 124,675,706</u>	<u>\$ 123,112,675</u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Town of Morristown, Morris County, New Jersey (the "Town") was incorporated in 1865 and operates under an elected Mayor/Council form of government. The Town's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

The Governmental Accounting Standards Board and subsequent Codification (collectively, "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statement No. 14 as amended by GASB Statement No. 61 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units, which are fiscally accountable to the primary government. The municipalities in the State of New Jersey do not prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and thus do not comply with all of the GASB pronouncements.

The financial statements of the Town have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), which is a regulatory basis of accounting other than US GAAP. 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 Town accounts for its financial transactions through separate funds, which differ from the fund structure required by US GAAP.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Town in that the Town approves the budget, the issuance of debt or the levying of taxes. The Town is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Town do not include the Morristown Public Library (1 Miller Road, Morristown, NJ) or the Morristown Parking Authority (14 Maple Street, Morristown, NJ), which are considered component units under US GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

The Town uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Town functions or activities. The Town also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those funds.

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

#### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Measurements Focus, Basis of Accounting and Basis of Presentation

The Town has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds – Trust funds are used to account for assets held by the government in a trustee capacity. Funds held by the Town as an agent for individuals, private organizations, or other governments are recorded in Trust Funds.

Animal Control Fund – This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by N.J.S.A. 4:19-15.11.

Other Trust Fund – This fund is established to account for the assets and resources, which are held by the Town as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, Equitable Sharing, developer deposits, payroll related deposits and funds deposited with the Town as collateral.

Self – Insurance Fund – This fund is used to account for the resources and expenditures for workmen's compensation, auto, general liability, self-insurance claims and premiums.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund – This fund is used to account for the revenues and expenditures for operation of the Town's sanitary sewerage system and the assets and liabilities related to such activities. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

Airport Utility Fund – This fund is used to account for the revenues and expenditures for operation of the Town's airport utility and the assets and liabilities related to such activities. Acquisition or improvement of capital facilities and other capital assets for the airport utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group – This account group is used to account for all general fixed assets of the Town, other than those accounted for in the Sewer and Airport Utility Funds. The Town's infrastructure is not reported in the account group.

##### Basis of Accounting

The Town follows the regulatory basis of accounting. Under this method of accounting, revenues, except for Federal and State Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from US GAAP applicable to local government units.

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

#### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The more significant differences are as follows:

**Property Tax Revenues** – Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The School levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Town. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Town also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the 11<sup>th</sup> month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Town may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. US GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**Miscellaneous Revenues** – Miscellaneous revenues are recognized on a cash basis. Receivables for miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Town's Current Fund. US GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

**Sewer Utility Rents** – Utility charges are levied quarterly based upon a consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Town's Sewer Utility Operating Fund. US GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e. when they are both levied and available).

**Grant and Similar Award Revenues** – Federal and State grants, entitlements or shared revenues received, for purposes normally financed through the Current Fund, are recognized when anticipated in the Town's budget. US GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Budgets and Budgetary Accounting** – An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Town and approved by the Division per N.J.S.A. 40A:4 et seq.

The Town is not required to adopt budgets for the following funds:

- Trust Funds
- General Capital Fund
- Sewer Utility Capital Fund
- Airport Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than the last day in February of the fiscal year. The budget is required to be adopted no later than April 20, and prior to adoption, must be certified by the Division. The Director of the Division, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. In addition, the governing body approved several budget transfers during 2019.

**Expenditures** – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31 are reported as expenditures through the establishment of appropriation reserves, unless cancelled by the governing body. US GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, which are recognized when due.

**Encumbrances** – Contractual orders outstanding at December 31 are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under US GAAP.

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

**Operating Deficits** – Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year, are recorded as deferred charges on the balance sheet of the respective operating fund at year-end and are required to be funded in the succeeding year's budget. US GAAP does not permit the deferral of operating deficits at year-end.

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Compensated Absences** – Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to N.J.S.A. 40A:4-39 for the future payment of compensated absences. US GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

**Property Acquired for Taxes** – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. US GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

**Interfund Receivables** – Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. US GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

**Inventories** - 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. US GAAP requires inventories to be recorded as assets in proprietary-type funds.

**Cash and Investments** – Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. US GAAP requires that all investments be reported at fair value.

**Incurred But Not Reported (IBNR) Reserves and Claims Payable** – The Town has not created a reserve for any potential unreported self-insurance losses which may have taken place. Additionally, the Town has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). US GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the government-wide financial statements.

**Tax Appeals and Other Contingent Losses** – Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. US GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

**General Fixed Assets** – In accordance with N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, the Town has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Town as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks are not capitalized.

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets purchased after December 31, 1999 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1999 are stated as follows:

- Land and Buildings
- Assessed Value
- Machinery and Equipment
- Replacement Costs

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Accounting for Utility Fund "fixed capital" remains unchanged under N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Sewer and Airport Utility funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement cost or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represents charges to operations for the costs of acquisitions of property, equipment and improvements. The Utility Capital Funds do not record depreciation on fixed assets.

US GAAP requires that capital assets be recorded in proprietary-type funds, as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, US GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

**Long-term debt** – The Town'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 Town's long-term debt is provided in Note 3 to the financial statements.

**Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense** – the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68 require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. Since the Town does not follow generally accepted accounting principles, the GASBs did not result in a change in the Town's assets, liabilities and contribution requirements. Refer to Note 8 for these disclosures.

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Other Post-Employment Benefits Other Than Pensions** – The requirements of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of the amounts. Since the Town does not follow generally accepted accounting principles, the GASB did not result in a change in the Town's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASB. See Note 10 for these disclosures.

**Use of Estimates** – The preparation of financial statements requires management of the Town 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 the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**Comparative Data** – Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

#### **Basic Financial Statements**

GASB also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with US GAAP. The Town presents the financial statements listed in the table of contents, which are required by the Division, to be referenced to the supplementary schedules. This practice differs from reporting requirements under US GAAP.

### 2. DEPOSITS AND INVESTMENTS

The Town considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

#### **Deposits**

The Town's deposits are insured through either the Federal Deposit Insurance Corporation ("FDIC"), Securities Investor Protection Corporation ("SIPC") or New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). The Town is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

**Custodial Credit Risk** – the custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Although the Town does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in a public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2019 and 2018 the Town's bank balances were exposed to custodial credit risk.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**2. DEPOSITS AND INVESTMENTS (continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2019 and 2018. At December 31, 2019 and 2018, the book value of the Town's deposits were \$29,148,233 and \$27,045,561, respectively.

The Town's deposits, which are displayed on the various fund Balance Sheet as "cash and cash equivalents", are categorized as:

<u>Depository Account</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Insured	\$ 500,000	\$ 500,000
Uninsured and Collateralized	<u>30,565,144</u>	<u>26,852,509</u>
	<u>\$ 31,065,144</u>	<u>\$ 27,352,509</u>

\$279,202 and \$274,567 was held in the Town agency account and are not covered by GUDPA at December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the Town had no investments.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Funds is assigned to the Utility Operating Funds in accordance with the regulatory basis of accounting.

**3. MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both General Capital and Utility Funds. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Town are general obligation bonds, backed by the full faith and credit of the Town. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**3. MUNICIPAL DEBT (continued)**

The Town's debt as of December 31, is summarized as follows:

	<u>Year 2019</u>	<u>Year 2018</u>
<u>Issued</u>		
General:		
Bonds and Notes	\$ 22,359,000	\$ 20,428,487
Sewer Utility		
Bonds and Notes	4,112,000	5,667,550
Net Debt Issued	26,471,000	26,096,037
 <u>Authorized but Not Issued</u>		
General:		
Bonds and Notes	3,865,690	5,793,300
Sewer Utility:		
Bonds and Notes	917,681	917,681
	4,783,371	6,710,981
Net Bonds and Notes Issued and Authorized but Not Issued	\$ 31,254,371	\$ 32,807,018

The statement of debt condition that follows is extracted from the Town's Annual Debt Statement and indicates a statutory net debt of 0.856% at December 31, 2019.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 26,224,690		\$ 26,224,690
Utility Debt	5,029,681	\$ 5,029,681	
Parking Authority Debt	28,580,000	28,580,000	
Total	\$ 59,834,371	\$ 33,609,681	\$ 26,224,690

The Town's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2019 as follows:

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 107,281,594
Net Debt	(26,224,690)
Remaining Statutory Borrowing Power	\$ 81,056,904

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**3. MUNICIPAL DEBT (continued)**

**Calculation of "Self-Liquidating Purposes" Sewer Utility per N.J.S.A. 40A:2-45**

Surplus and Cash Receipts from Fees, Rent or Other Charges for Year		\$	8,274,576
Deductions:			
Operating and Maintenance Costs	\$		2,123,458
Debt Service per Utility Operating Fund			1,759,791
			3,883,249
Excess in Revenue		\$	4,391,327

As there is an excess in revenue, all Sewer Utility Debt is deductible for Debt Statement purposes.

**General Obligation Bonds**

The Town levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2019 and 2018 are as follows:

	2019		2018
<b><u>General Obligation Bonds</u></b>			
\$7,961,260 (\$18,450,000 combined issue), 2005 Refunding Bonds, due in an annual installment of \$874,447 in August 2019, interest at 6.50%		\$	874,447
\$1,150,000, 2009 Refunding Bonds, due in annual installments of \$220,000 to \$235,000 through March 2023, interest at 4.25% to 5.00%	\$	915,000	1,150,000
\$10,924,000, 2016 General Improvement Bonds; due in annual installments of \$620,000 to \$819,000 through 2032, interest at 2.00% to 4.00%		9,444,000	9,999,000
\$12,000,000, 2019 General Improvement Bonds; due in annual installments of \$650,000 to \$1,500,000 through 2033, interest at 2.00% to 5.00%		12,000,000	
\$4,975,000, 2014 Refunding Bonds, due in an annual installment of \$1,275,000 in September 2019, interest at 4.00%			1,275,000
	\$	22,359,000	\$ 13,298,447

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**3. MUNICIPAL DEBT (continued)**

**Utility Bonds**

The Town pledges revenue from operations to pay debt service on utility bonds issued. The utility bonds outstanding at December 31, 2019 and 2018 are as follows:

	2019	2018
<b><u>Sewer Utility</u></b>		
\$6,843,105 (\$12,655,000 combined issue), 2005 Refunding Bonds, due in an annual installment of \$515,550 in August 2019, interest at 6.50%		\$ 515,550
\$2,475,000, 2009 Refunding Bonds, due in annual installments of \$490,000 to \$495,000 through March 2023, interest at 4.25% to 5.00%	\$ 1,970,000	2,475,000
\$820,000, 2011B Refunding Bonds, due in annual installments of \$65,000 to \$80,000 through March 2022, interest at 3.00% to 3.13%	220,000	300,000
\$625,000, 2014 Refunding Bonds, due in an annual installment of \$155,000 in March 2019, interest at 4.00%		155,000
	\$ 2,190,000	\$ 3,445,550

The Town's principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

Year	General		Sewer Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,350,000	\$ 538,683	\$ 575,000	\$ 89,925	\$ 2,925,000	\$ 628,608
2021	2,370,000	684,745	570,000	64,659	2,940,000	749,404
2022	2,380,000	578,845	555,000	37,806	2,935,000	616,651
2023	1,585,000	472,870	490,000	12,250	2,075,000	485,120
2024	1,410,000	412,120			1,410,000	412,120
2025-2029	7,220,000	1,268,038			7,220,000	1,268,038
2030-2033	5,044,000	296,100			5,044,000	296,100
	\$ 22,359,000	\$ 4,251,401	\$ 2,190,000	\$ 204,640	\$ 24,549,000	\$ 4,456,041

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**3. MUNICIPAL DEBT (continued)**

**Changes in Long-Term Municipal Debt**

The Town's long-term capital debt activity for 2019 and 2018 is as follows:

	Balance December 31, 2018	Increases	Reductions	Balance December 31, 2019	Due Within One Year
General Capital Fund Bonds Payable	\$ 13,298,447	\$ 12,000,000	\$ 2,939,447	\$ 22,359,000	\$ 2,350,000
Sewer Utility Capital Fund Bonds Payable	\$ 3,445,550		\$ 1,255,550	\$ 2,190,000	\$ 575,000
	Balance December 31, 2017	Increases	Reductions	Balance December 31, 2018	Due Within One Year
General Capital Fund Bonds Payable	\$ 16,094,809		\$ 2,796,362	\$ 13,298,447	\$ 2,939,447
Sewer Utility Capital Fund Bond Payable	\$ 4,669,187		\$ 1,223,637	\$ 3,445,550	\$ 1,255,550

**Short-Term Debt**

The Town's short-term capital debt activity for 2019 and 2018 is as follows:

	Balance, December 31, 2018	Additions	Reductions	Balance, December 31, 2019
Bond Anticipation Notes				
General Capital Fund	\$ 7,130,240		\$ 7,130,240	
Sewer Utility Capital Fund	2,222,000		300,000	\$ 1,922,000
Total	\$ 9,352,240	\$ -	\$ 7,430,240	\$ 1,922,000
	Balance, December 31, 2017	Additions	Reductions	Balance, December 31, 2018
Bond Anticipation Notes				
General Capital Fund	\$ 7,228,470	\$ 7,130,240	\$ 7,228,470	\$ 7,130,240
Sewer Utility Capital Fund	2,954,000		732,000	2,222,000
Total	\$ 10,182,470	\$ 7,130,240	\$ 7,960,470	\$ 9,352,240

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**4. FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2019 and 2018:

**General Fixed Assets**

	Balance December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2019</u>
Land and Land Improvements	\$ 91,544,815	\$ 932,043	\$ -	\$ 92,476,858
Buildings and Building Improvements	18,954,658	406,905		19,361,563
Construction in Progress	633,020	156,456	491,343	298,133
Machinery and Equipment	11,980,182	795,282	236,312	12,539,152
	<u>\$ 123,112,675</u>	<u>\$ 2,290,686</u>	<u>\$ 727,655</u>	<u>\$ 124,675,706</u>
	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2018</u>
Land and Land Improvements	\$ 89,382,386	\$ 2,311,479	\$ 149,050	\$ 91,544,815
Buildings and Building Improvements	19,003,824	150,914	200,080	18,954,658
Construction in Progress	252,751	521,139	140,870	633,020
Machinery and Equipment	11,488,706	491,476		11,980,182
	<u>\$ 120,127,667</u>	<u>\$ 3,475,008</u>	<u>\$ 490,000</u>	<u>\$ 123,112,675</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**4. FIXED ASSETS (continued)**

**Utility Fund Fixed Assets**

The following is a summary of changes in the Utility Fund fixed assets as of December 31, 2019 and 2018:

**Utility Fund Fixed Assets**

<b>Sewer Utility Fund</b>	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>
Fixed Capital Treatment Facility, Sewerage System and System Improvements	\$ 71,141,972	\$ 7,769,047		\$ 78,911,019
Vehicle and Equipment	101,382			101,382
	<u>\$ 71,243,354</u>	<u>\$ 7,769,047</u>	<u>\$ -</u>	<u>\$ 79,012,401</u>
Fixed Capital Authorized and Uncompleted - Sewer Improvement	<u>\$ 10,415,000</u>	<u>\$ 487,000</u>	<u>\$ 7,769,047</u>	<u>\$ 3,132,953</u>
	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2018</u>
Fixed Capital Treatment Facility, Sewerage System and System Improvements	\$ 68,685,507	\$ 2,456,465		\$ 71,141,972
Vehicle and Equipment	101,382			101,382
	<u>\$ 68,786,889</u>	<u>\$ 2,456,465</u>	<u>\$ -</u>	<u>\$ 71,243,354</u>
Fixed Capital Authorized and Uncompleted - Sewer Improvement	<u>\$ 12,201,465</u>	<u>\$ 670,000</u>	<u>\$ 2,456,465</u>	<u>\$ 10,415,000</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**4. FIXED ASSETS (continued)**

	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>
<b>Airport Utility Fund</b>				
Fixed Capital				
Airport Facilities and Improvements	\$ 61,598,972			\$ 61,598,972
Vehicle and Equipment	1,027,714			1,027,714
	<u>\$ 62,626,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,626,686</u>
 Fixed Capital Authorized and Uncompleted - Airport Facilities and Improvements	 <u>\$ 12,299,653</u>	 <u>\$ 9,403,096</u>	 <u>\$ -</u>	 <u>\$ 21,702,749</u>
 <b>Airport Utility Fund</b>	 Balance December 31, <u>2017</u>	 <u>Additions</u>	 <u>Reductions</u>	 Balance December 31, <u>2018</u>
Fixed Capital				
Airport Facilities and Improvements	\$ 61,598,972			\$ 61,598,972
Vehicle and Equipment	1,027,714			1,027,714
	<u>\$ 62,626,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,626,686</u>
 Fixed Capital Authorized and Uncompleted - Airport Facilities and Improvements	 <u>\$ 9,987,569</u>	 <u>\$ 2,312,084</u>	 <u>\$ -</u>	 <u>\$ 12,299,653</u>

**5. DUE TO/FROM OTHER FUNDS**

As of December 31, 2019 and 2018, interfund receivables and payables that resulted from various interfund transactions are as follows:

	2019		2018	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund:				
Regular	\$ 21,000	\$ 155,010	\$ 88,523	
Grant	5,010			\$ 37,774
Other Trust				29,749
General Capital Fund	150,000			
Airport Utility:				
Airport Capital		21,000		21,000
	<u>\$ 176,010</u>	<u>\$ 176,010</u>	<u>\$ 88,523</u>	<u>\$ 88,523</u>

The above balances are the result of expenditures being paid by one fund on behalf of another. The Town expects all interfund balances to be liquidated within one year.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**6. FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Funds are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of Local Government Services, if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year, were as follows:

	2019		2018	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 14,097,775	\$ 4,430,000	\$ 13,707,441	\$ 2,900,000
Sewer Utility Operating Fund				
Cash Surplus	\$ 563,298	\$ 200,000	\$ 607,820	\$ 200,000
Airport Utility Operating Fund				
Cash Surplus	\$ 25,723	\$ 13,000	\$ 17,955	\$ 13,800

The above fund balance amounts utilized represents the surplus anticipated in the 2020 and 2019 municipal budgets.

**7. COMPENSATED ABSENCES**

Under the existing policies and labor agreements of the Town, employees are allowed to accumulate, with certain restrictions, unused vacation benefits, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$2,543,284 and \$3,349,003 at December 31, 2019 and 2018 respectively. This estimate by management is unaudited.

As of December 31, 2019 and 2018, the Town has reserved \$158,928 and \$285,201, respectively to fund compensated absences in accordance with N.J.S.A. 40A:4-39.

**8. EMPLOYEE RETIREMENT SYSTEMS**

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), once a Target Funded Ratio (TFR)

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

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 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employee Retirement System

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

*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 other jurisdiction's pension fund.

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

	2019	2018
Inactive plan members or beneficiaries currently receiving benefits	178,748	174,904
Inactive plan members entitled to but not yet receiving benefits	609	589
Active plan members	252,598	254,780
Total	431,955	430,273

Contributing Employers – 1,697

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

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

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

For the year ended December 31, 2019 and 2018 the Town's total payroll for all employees was \$17,444,966 and \$17,141,155. Total PERS covered payroll was \$6,331,540 and \$6,330,428. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Commission to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.50% for State fiscal year 2019, commencing July 1, 2018. The most recent increase completed the phase-in referred to above. Employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Town contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

It is assumed that the local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

The Town's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Town's payments to PERS during the years ending December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Total Regular Billing	\$ 854,603	\$ 888,990

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

### 8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 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 tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members 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 retirement age of his/her 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.

*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 Town's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Town does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2019, the PERS reported a net pension liability of \$18,143,832,135 for its Non-State Employer Member Group. The Town's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Town was \$15,830,669 or 0.0878579443%, which was a decrease of 0.0015168057% from its proportion measured as of June 30, 2019.

At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The Town's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Town was \$17,597,443 or 0.0893747500%.

The following presents a summary of the proportionate share of the State of New Jersey's changes in the collective deferred outflows of resources and deferred inflows of resources attributable to the Town for the year ended June 30, 2019:

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 284,140	\$ 69,933
Changes of assumptions	1,580,750	5,494,775
Net difference between projected and actual investment earnings on pension plan investments		249,893
Changes in proportion	687,321	300,410
Town contributions subsequent to the measurement date	<u>854,603</u>	
	<u>\$ 3,406,814</u>	<u>\$ 6,115,011</u>

The \$854,603 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2020. Other Amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2020	\$ (291,951)
2021	(1,234,612)
2022	(1,318,143)
2023	(642,573)
2024	<u>(75,521)</u>
Total	<u>\$ (3,562,800)</u>

*Actuarial Assumptions-* The total pension liability at the June 30, 2019 measurement date (Actuary valuation date as of July 1, 2018) and June 30, 2018 measurement date (Actuary valuation date as of July 1, 2017) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**June 30, 2019**

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

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

**June 30, 2018**

Inflation	2.25%
Salary Increases (2012-2021)	1.65 - 4.15% Based on age
Thereafter	2.65 - 5.15% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and a 101.4% 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 General Below-Median Income Healthy Retiree 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-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, 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 PERS's target asset allocation as of June 30, 2019 and 2018 are summarized in the following tables:

June 30, 2019	Target	Long-Term
Asset Class	Allocation	Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	100.00%	

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

June 30, 2018	Target	Long-Term
Asset Class	Allocation	Expected Real Rate of Return
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
	100.00%	

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2018 was 5.66% and as of June 30, 2019 was 6.28%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% 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 through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS	\$ 19,996,707	\$ 15,830,669	\$ 12,320,191

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2019 and 2018 were \$29,847,977,666 and \$27,472,374,536, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2019 and 2018 was \$23,347,631,751 and \$22,742,071,972, respectively.

*Additional information*

Collective Local Group balances at June 30, 2019 are as follows:

Collective deferred outflows of resources	\$	3,149,522,616
Collective deferred inflows of resources		7,645,087,574
Collective net pension liability		18,143,832,135
Town's Proportion		0.0878579443%

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was \$974,471,686 and \$1,099,708,157, respectively. The average of the expected remaining service lives of all plan members if 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

**State Contribution Payable Dates**

Prior to July 1, 2018 valuation, it is assumed the State will make pension contributions the June 30<sup>th</sup> following the valuation date. Effective with the July 1, 2018 valuation Chapter 83 P.L. 2017 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.

**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, 2019 and June 30, 2018 are \$1,038,892,124 and \$1,073,054,740, respectively.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

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 and 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, 2019 and 2018:

	2019	2018
Inactive plan members or beneficiaries currently receiving benefits	44,567	43,755
Inactive plan members entitled to but not yet receiving benefits	42	39
Active plan members	42,295	41,517
Total	86,904	85,311

Contributing Employers – 584 (As of June 30, 2019)

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

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.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

For the years ended December 31, 2019 and 2018 the Town's total payroll for all employees were \$17,444,966 and \$17,141,155, respectively. Total PFRS covered payroll was \$8,892,361 and \$8,599,800. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Town contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Town payments to PFRS for the years ending December 31, 2019 and 2018 consisted of the following:

	2019	2018
Total Regular Billing	\$ 2,512,005	\$ 2,588,246

The Town recognizes liabilities to PFRS 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. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 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 on or after June 28, 2011

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

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

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

At June 30, 2019, the PFRS reported a net pension liability of \$14,170,193,618 for its Non-State, Non-Special Funding Situation Employer Member Group. The Town’s proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$30,433,759, or 0.2486861350% which was a decrease of 0.0160561614% from its proportion, measured as of June 30, 2018. Then pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

At June 30, 2018, the PFRS reported a net pension liability of \$15,369,699,278 for its Non-State, Non-Special Funding Situation Employer Member Group. The Town’s proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$35,823,997, or 0.2647422964%.

At December 31, 2019 the Town would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources, if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 256,900	\$ 192,682
Changes of assumptions	1,042,826	9,835,912
Net difference between projected and actual investment earnings on pension plan investments		412,368
Changes in proportion	2,750,043	2,723,932
Town contributions subsequent to the measurement date	2,512,005	
	\$ 6,561,774	\$ 13,164,894

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

\$2,512,005 is reflected above as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

Year ended December 31,	Amount
2020	\$ (1,398,568)
2021	(3,105,938)
2022	(2,182,933)
2023	(1,424,709)
2024	(1,002,977)
Total	\$ (9,115,125)

*Actuarial Assumptions-* The total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**June 30, 2019**

Inflation rate:

Price	2.75%
Wage	3.25%

Salary Increases:

Through all future years	3.25 - 15.25%
	based on years of service

Investment rate of return 7.00%

**June 30, 2018**

Inflation	2.25%
Salary Increases (2012-2021)	2.10 - 8.98% Based on age
Thereafter	3.10 - 9.98% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with an 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

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

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

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, 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 real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

<u>June 30, 2019</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
	100.00%	

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2018 was 6.51% and as of June 30, 2019 was 6.85%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 and 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% 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 through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

		At 1% Decrease (5.85%)	At Current Discount Rate (6.85%)	At 1% Increase (7.85%)
PFRS	\$	41,135,352	\$ 30,433,759	\$ 21,576,649

*Plan Fiduciary Net Position* – The plan fiduciary net position for PFRS at June 30, 2019 and 2018 was \$27,792,420,945 and \$27,098,556,100, respectively.

*Additional information*

Collective Local Group balances at June 30, 2019 are as follows:

Collective deferred outflows of resources	\$	1,198,936,924
Collective deferred inflows of resources		4,874,748,912
Collective net pension liability		14,170,193,618
Town's Proportion		0.2486861350%

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was \$1,325,963,796 and \$1,270,762,352, respectively. The average of the expected remaining service lives of all plan members is which is 5.92, 5.73, 5.59, 5.58, and 5.53 years for the 2019, 2018, 2017, 2016, and 2015 amounts, respectively.

**State Contribution Payable Dates**

Effective with the July 1, 2017 valuation 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.

**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, 2019 and June 30, 2018 are \$1,105,874,849 and \$1,089,730,202, respectively.

Local contributions expected to be paid the April 1<sup>st</sup>, following the valuation are discounted by the interest rate used at the valuation date.

*Special Funding Situation*

The Town 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.

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

#### 8. EMPLOYEE RETIREMENT SYSTEMS (continued)

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the years ended June 30, 2019 was \$130,202,000. The portion of that contribution allocated to the Town in 2019 was \$323,794, or 0.2486861350%. The June 30, 2019 State special funding situation pension expense of \$224,526,138 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$1,932,374,825 at June 30, 2019 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Town's allocated shares of the special funding situation pension expense for the year ended June 30, 2019 and its share of the special funding situation NPL at that date were \$558,365 and \$4,805,548, respectively.

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the years ended June 30, 2018 was \$108,857,000. The portion of that contribution allocated to the Town in 2018 was \$288,191, or 0.2647422964%. The June 30, 2018 State special funding situation pension expense of \$217,714,180 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$1,838,050,687 at June 30, 2018 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Town's allocated shares of the special funding situation pension expense for the year ended June 30, 2018 and its share of the special funding situation NPL at that date were \$576,382 and \$4,866,098, respectively.

#### **Defined Contribution Retirement Plan**

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 Division has selected Prudential Financial to manage the DCRP on its behalf. The more significant aspects of the DCRP are as follows:

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

*Contribution Requirement and Benefit Provisions* - State and local government employers contribute 3% of the employees' base salary. Active members contribute 5.5% of base salary. Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 7.50% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

**9. POST-RETIREMENT HEALTH COVERAGE**

**Town OPEB Plan Description**

The Town provides a post-employment healthcare plan (the "Plan") for its eligible retirees and their dependents. The Plan is a single-employer defined healthcare plan administered by the Town. In accordance with Town employment contracts and personnel policies, the Town provides post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at the same cost to the retiree as there would be, if any, if they remained an employee. Coverage for a retiree's spouse and/or dependents ends upon the death of the retiree. Members of the Police Benevolent Association ("PBA") and Firefighters Mutual Benevolent Association ("FMBA") who have at least 15 years of services with the Town at the time of retirement are eligible for employer provided post-retirement health coverage. Members of the Morristown Employees Association ("MEA") and Local 255 who have at least 25 years of service with the Town at the time of retirement or who retire on disability with at least 15 years of service with the Town, are eligible for employer provided post-retirement health coverage.

**Funding Policy**

The Town funds its post-retirement health coverage on a pay-as-you-go basis.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

The Town's total OPEB liability of \$70,823,786 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date. There were 183 members that were part of the plan.

*Actuarial assumptions and other inputs* - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Statistical Assumptions and Inputs	Inputs and Basis
Inflation Rate - USDA 20 Year Inflation Rate	2.2%
Salary Increases	3.0% (In excess of 2% tax levy cap)
Discount Rate	2.15% 20 Year AA Muni Bond Index (fms)
Health Care Cost Inflation Range	4.4% - 8.8%
Employee and Retiree Contribution Rate	Pursuant to "Chapter 78" requiring contributions
Mortality Rate	Maximum eligibility is age 65-Medicare, therefore the "Actuarial Life Table" - Social Security Administration is used

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**9. POST-RETIREMENT HEALTH COVERAGE (continued)**

<u>Changes to Total OPEB Liability</u>	
Balance as of December 31, 2018	\$ 58,029,049
Service Cost Increase	6,859,061
Added Number of Future Estimated Retirees - 8 (6.4% Inc.)	4,842,652
Interest Cost (1.2% Inflation assumption change)	1,093,024
Balance as of December 31, 2019	<u>\$ 70,823,786</u>

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of a statistical experience study for the period January 1, 2019 – December 31, 2019.

<u>Sensitivity Analysis</u>	
Discount Rate - Changes 1% Decrease to 3.15%	\$ 63,602,054
Discount Rate - Changes 1% Increase to 4.15%	\$ 79,199,564
Target Discount Rate - 2.15%	\$ 70,823,786
Health Care Cost Inflation Rate 1% Decrease in Rate	\$ 64,295,827
Health Care Cost Inflation Rate 1% Increase in Rate	\$ 78,177,448
Target Health Care Cost Inflation Rate - 4.4%	\$ 70,823,786

**State Health Benefit Local Government Retired Employees Plan**

**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.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**9. POST-RETIREMENT HEALTH COVERAGE (continued)**

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.

**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.

*Nonspecial Funding Situation* - The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$8,020,352,361 and \$9,452,773,649 at June 30, 2019 and 2018, respectively.

*Components of Net OPEB Liability* - The components of the collective net OPEB liability for Local Government Retired Employees Plan, including the State of New Jersey, is as follows:

	June 30, 2018	June 30, 2019
Total OPEB Liability	\$ 15,981,103,227	\$ 13,819,244,582
Plan Fiduciary Net Position	314,485,086	273,173,482
Net OPEB Liability	\$ 15,666,618,141	\$ 13,546,071,100
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.98%

*Actuarial Assumptions and Other Inputs* - The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**9. POST-RETIREMENT HEALTH COVERAGE (continued)**

Inflation rate	2.50%
Salary increases*:	
Public Employees' Retirement Systems (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 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate* - The following presents the collective net OPEB liability of the participating employers as of June 30, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease	At Discount Rate	1% Increase
Total Net OPEB Liability - 2018	\$ 18,381,085,096	\$ 15,666,618,141	\$ 13,498,373,388
Total Net OPEB Liability - 2019	\$ 15,662,704,137	\$ 13,546,071,100	\$ 11,826,026,995

*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 and 2018, respectively, 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:

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**9. POST-RETIREMENT HEALTH COVERAGE (continued)**

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability - 2018	\$ 13,068,471,450	\$ 15,666,618,141	\$ 19,029,006,023
Total Net OPEB Liability - 2019	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531

Special Funding Situation - The State of New Jersey's Total OPEB Liability for special funding situation was \$5,525,718,739 and \$6,213,844,492 at June 30, 2019 and 2018, respectively.

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

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

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Town of Morristown was \$16,496,370 (89 members) and \$18,805,952 (86 members) at June 30, 2019 and 2018, respectively. These allocated liabilities represent 0.298538% and 0.302646% of the State's Total Non-employer OPEB Liability for June 30, 2019 and 2018, respectively. The OPEB expense attributed to the Town was \$218,664 and \$569,278 at June 30, 2019 and 2018, respectively.

**10. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, termination of employees and natural disasters. The Town has obtained commercial insurance coverage to minimize the exposure to the Town, should they occur.

The Town is a member of the Garden State Municipal Joint Insurance Fund ("GSMJIF"). This joint insurance fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The GSMJIF is a risk-sharing public entity pool. The coverage amounts are on file with the Town. The relationship between the Town and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Town is contractually obligated to make all annual and supplementary contributions to the GSMJIF, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**10. RISK MANAGEMENT (continued)**

The GSMJIF provides its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer. On January 1, 1999, the Town established a workmen's compensation plan for its employees, an auto liability plan and a general liability plan, including police professional liability. The Town funded the entire cost of these plans. Claims were paid directly by the plan, up to a maximum for anyone accident or occurrence, with any excess benefit being reimbursed through Re-Insurance Agreements as follows:

<u>Plan</u>	<u>Maximum Per Accident or Occurrence</u>	<u>Re-Insurance Agreement</u>
Workmen's Compensation	\$250,000	Reliance National Insurance Company
Auto Liability	100,000	General Security Reporting And Casualty Insurance Company
General Liability	100,000	General Security Reporting and Casualty Insurance Company

The Town is liable for any claims prior to January 1, 1999. In addition, a contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the Town under existing Re-Insurance Agreements. The Town has not created a liability for loss reserves for claims incurred which were unpaid at December 31, 2019. In addition, the Town has not created a liability for reserves for any potential unreported losses which have taken place, but in which the Town has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is assumed to be material. As of December 31, 2019 and 2018, the Town has \$138,909 and \$744,477, respectively, in the Self-Insurance Trust Fund to provide funding for any potential liabilities for claims incurred during the period when they were self-insured.

There has been no significant reduction in insurance coverage from the previous year, nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Town has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this method, the Town is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Town is billed quarterly for amounts due to the State. The following is a summary of Town contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Town's Unemployment Compensation Trust Fund for the current and previous two years:

<u>Year Ended 31-Dec</u>	<u>Beginning Balance</u>	<u>Town Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Reimbursements to State</u>	<u>Ending Balance</u>
2019	\$ 127,583	\$ -	\$ -	\$ 23,754	\$ 24,570	\$ 126,767
2018	137,727	-	-	1,145	11,289	127,583
2017	160,024	-	-	668	22,965	137,727

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

#### 11. CONTINGENT LIABILITIES

The Town is involved in various claims and lawsuits incidental to its operations. In the opinion of management and legal counsel the ultimate resolution of these matters will not have a material effect on the financial position of the Town.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2019. Amounts claimed have not yet been determined. The Town is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division, the Town does not recognize a liability, if any, until these cases have been adjudicated. The Town expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Federal and State Awards** - The Town participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate granting agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the granting agency.

**Guaranteed Debt - Morristown Parking Authority** - The Speedwell Avenue Urban Renewal Project (the "Project"), created in order to finance the costs of construction of a parking garage, was authorized as a general improvement in accordance with the Housing and Redevelopment Cooperation Law, N.J.S.A. 55:14B-1et seq., the Redevelopment Agencies Law, N.J.S.A.40:55C-1et seq., and the Local Bond Law, N.J.S.A.40A:2-1et seq. Prior to adopting the bond ordinance, the Town was required to obtain the approval of the Local Finance Board for an extension of credit to finance the garage; since the Town's net debt exceeded the statutory limitation allowed under N.J.S.A.40A:2-6. The Board, in approving the Town's application for an extension of credit, indicated that it was satisfied that the Project would generate revenues in an amount equal to or exceeding the annual debt service requirements of the obligations incurred for financing the parking garage.

In February 2004, the Morristown Parking Authority sold \$10,025,000 Guaranteed Parking Revenue Bonds, Series 2004, dated February 15, 2004. These bonds were used for advance refunding of the outstanding Guaranteed Parking Revenue Bonds - Series 1998, which were redeemed in full on August 1, 2005. Under a Replenishment Agreement, the Town is required to take such actions as necessary to assure that the amounts required to meet the Debt Service Reserve Fund Requirement will be available on the Bond Payment Date. Such actions may include, but not be limited to, the adoption of an emergency appropriation, the levy of ad valorem taxes upon all taxable real property located within the Town, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirement of such Replenishment Agreement. The bonds mature annually from 2004 to 2025 at interest rates ranging from 2.50% to 4.40%.

In July 2007, the Morristown Parking Authority sold \$27,180,000 Guaranteed Parking Revenue Bonds, Series 2007, dated July 1, 2007. These bonds were issued to finance the design and construction of a 781 space parking facility and attached 33,815 square feet four story office building in the center of Town. Under a Replenishment Agreement, the Town is required to take such actions as necessary to assure that the amounts required to meet the Debt Service Reserve Fund Requirement will be available on the Bond Payment Date. Such actions may include, but not be limited to, the adoption of an emergency appropriation, the levy of ad valorem taxes upon all taxable Real property located within the Town, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirement of such Replenishment Agreement. The Bonds mature annually from 2008 to 2037 at interest rates ranging from 4.00% to 4.70%.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**11. CONTINGENT LIABILITIES (continued)**

In May 2017, the Morristown Parking Authority sold \$23,855,000 Guaranteed Parking Revenue Bonds, Series 2017, dated May 23, 2017. These bonds were issued for the current refunding of the Authority's outstanding Guaranteed Parking Revenue Bonds – Series 2007 and paying the costs and expenses incurred in connection with the issuance and delivery of the Bonds.

The Town's obligations under the Replenishment Agreement are absolute and unconditional, payable, unless otherwise paid, from the unlimited ad valorem taxing power of the Town.

As of December 31, 2019, the outstanding debt covered by the Town Replenishment Agreement was \$28,580,000. As of December 31, 2019, the Morristown Parking authority was not in default for any of these obligations. The Town is in compliance with the Debt Service Reserve Fund requirement.

**12. FEDERAL ARBITRAGE REGULATIONS**

The Town is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service ("IRS") required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS.

**13. TRANSFER AGREEMENT**

On January 17, 1977, (the transfer date) the Town sold and conveyed its right, title and interest in and to the real and personal property of its water system to the Southeast Morris County Municipal Utilities Authority ("SMCMUA") (the "Authority"). In exchange for the right, title and interest of the water system, the Authority agreed to compensate the Town with respect to all of the indebtedness issued by the Town for water system purposes, which remained outstanding as of the transfer date. The Authority further agreed to pay the Town \$100,000 one year from the transfer date. Additionally, the Authority agreed to pay to the Town upon the anniversary of the transfer date for a period of 99 years, the sum of \$30,000 per year.

As of December 31, 2019, 59 years are remaining on the transfer agreement and the remaining amount due from the transfer agreement is \$1,740,000.

**14. TAX ABATEMENTS**

The Town has entered into several property tax abatement agreements in order to provide incentives to redevelop areas that are in need for improvement or to create economic growth. These agreements are authorized under various New Jersey state statutes. The following represent the Town's most significant tax abatement agreements:

Entity Name	Commencement Date	Termination Date	Pilot Billing	Taxes If Billed In Full	Abated Taxes
Payment in Lieu of Taxes - Mill Creek	March 15, 2011	March 14, 2039	\$ 683,171	\$ 1,707,000	\$ 1,023,829
Payment in Lieu of Taxes - 55 Market UR	August 25, 2015	August 24, 2045	123,016	209,250	86,234
Payment in Lieu of Taxes - CVS	September 14, 2015	August 31, 2045	56,664	82,588	25,924
Payment in Lieu of Taxes - 55 Prospect (Modera)	June 11, 2018	June 10, 2048	360,705	135,593	(225,112)
Total			<u>\$ 1,223,556</u>	<u>\$ 2,134,430</u>	<u>\$ 910,874</u>

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

#### 15. SUBSEQUENT EVENTS

The Town has evaluated subsequent events occurring after December 31, 2019 through July 8, 2020, which is the date the financial statements were available to be issued and identified the following financial transactions:

Subsequent to year-end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the Town's economically sensitive revenues (i.e. property taxes, sewer utility collections, airport fees and interest earnings, fees, state and federal aid) might be negatively impacted. Collection rates on real property taxes might be slowed as unemployment rates are expected to spike. Meanwhile, the Town's expenditures for public safety and health service functions and pension benefits (due to stock market declines) would all be expected to increase sharply. None of these factors were taken into consideration in the development of the 2020 adopted budget. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Town's financial position at this time.

**TOWN OF MORRISTOWN  
MORRIS COUNTY, NEW JERSEY**

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**PART II**

**SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2019**

TOWN OF MORRISTOWN  
CURRENT FUND

CURRENT CASH AND INVESTMENTS - TREASURER  
YEAR ENDED DECEMBER 31, 2019

A-4

	<u>Ref.</u>		<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2018	A		\$ 17,582,538	\$ 78,594
Increased by Receipts:				
Non-Budget Revenue	A-2	\$ 342,510		
Petty Cash Fund	A-5	500		
NJ Senior Citizens' and Veterans' Deductions	A-6	30,000		
Taxes Receivable	A-7	64,909,143		
Revenue Accounts Receivable	A-12	13,871,619		
FEMA	A-24	366,470		
Due from Southeast Morris MUA	A-14	30,000		
Tax Title Liens	A-9	6,921		
Prepaid Taxes	A-20	439,719		
SID Collections	A-8	569,115		
SID Prepays	A-22	17,926		
Interfunds	A-16	92,509		
Due to Current Fund	A-27		\$ 1,002	
Unappropriated Grant	A-15		42,803	
Grant Receivables	A-26		406,122	
			80,676,432	449,927
			98,258,970	528,521
Decreased by Disbursements:				
2019 Budget Appropriations	A-3	37,110,715		
2018 Appropriations Reserves	A-13	1,473,588		
Petty Cash	A-5	500		
Regional School Taxes Payable	A-19	33,526,753		
County Tax Payable	A-18	7,909,120		
Tax Appeals and Overpayments	A-21	20,192		
Due to State of NJ	A-25	4,475		
Special Improvement District Taxes Payable	A-23	583,941		
Appropriated Reserves	A-29		276,836	
Interfund to Current	A-27		43,786	
			80,629,284	320,622
Balance, December 31, 2019	A		\$ 17,629,686	\$ 207,899

TOWN OF MORRISTOWN  
CURRENT FUND

CHANGE FUNDS  
YEAR ENDED DECEMBER 31, 2019

A-5

	<u>Ref</u>	
Balance, December 31, 2018	A	\$ 250
Increased by:		
Cash Receipts	A-4	500
		750
Decreased by:		
Cash Disbursements	A-4	500
		500
Balance, December 31, 2019	A	\$ 250
<u>Analysis of Change Funds</u>		
Tax Collector		\$ 100
Municipal Court		100
Police		50
		50
		\$ 250

DUE TO STATE OF NEW JERSEY-SENIOR  
CITIZENS AND VETERANS' DEDUCTIONS  
YEAR ENDED DECEMBER 31, 2019

A-6

	<u>Ref</u>	
Balance, December 31, 2018	A	\$ (6,636)
Increased by:		
Senior Citizens' and Veterans' Deductions	A-7	28,250
		21,614
Decreased by:		
Cash Receipts	A-4	30,000
		30,000
Balance, December 31, 2019	A	\$ (8,386)
Analysis:		
Per Tax Duplicate		
Allowed for 2019:		
Veteran Allowed		\$ 24,250
S/C - Disabled Allowed		4,250
		28,500
Disallowed for 2019:		
Veteran Disallowed		(250)
		(250)
		\$ 28,250

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY  
YEAR ENDED DECEMBER 31, 2019

A-7

Year	Collections							
	Balance December 31, 2018	Levy/Added Taxes	Senior Citizens' and Veterans' Deductions	2018	2019	Transferred To Tax Title Liens	Canceled	Balance December 31, 2019
2018	\$ 529,825				\$ 528,717		\$ 1,108	
2019		\$ 65,580,524	\$ 28,250	\$ 559,797	64,380,426	\$ 13,998	6,397	\$ 591,656
	<u>\$ 529,825</u>	<u>\$ 65,580,524</u>	<u>\$ 28,250</u>	<u>\$ 559,797</u>	<u>\$ 64,909,143</u>	<u>\$ 13,998</u>	<u>\$ 7,505</u>	<u>\$ 591,656</u>
<u>Ref.</u>	A	Below	A-6	A-20	A-4	A-9	Reserve	A

Analysis of 2019 Property Tax Levy			
Tax Yield			
General Purpose Tax		\$ 65,404,659	
Added Taxes (RS 54:4-36.1 et seq.)		175,865	
			<u>\$ 65,580,524</u>
Tax Levy			
Regional School Tax	\$ 33,234,311		
County Taxes			
County Tax - General	7,672,657		
Open Space Tax	226,174		
Due County for Added Tax	19,029		
		41,152,170	
Local Tax for Municipal Purposes	24,271,518		
Add: Additional Tax Levied	156,836		
		24,428,354	
			<u>\$ 65,580,524</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

SPECIAL IMPROVEMENT DISTRICT TAXES RECEIVABLE A-8  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 2,986
Increased by:		
2019 Billings	A-23	<u>597,087</u>
		600,073
Decreased by:		
Prepays Applied	A-22	15,131
Cash Receipts	A-4, A-23	<u>569,115</u>
Balance, December 31, 2019	A	<u>\$ 15,827</u>

TAX TITLE LIENS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 129,251
Increased by:		
Transfers from Current Year Taxes Receivable	A-7	<u>13,998</u>
		143,249
Decreased by		
Cash Receipts	A-4	<u>6,921</u>
Balance, December 31, 2019	A	<u>\$ 136,328</u>

DEMOLITION LIENS  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	
Balance, December 31, 2019 and 2018	A	<u>\$ 2,946</u>

PROPERTY ACQUIRED FOR TAXES - AT ASSESSED VALUATIONS  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	
Balance, December 31, 2019 and 2018	A	<u>\$ 2,193,200</u>

TOWN OF MORRISTOWN  
CURRENT FUND

REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2019

A-12

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Accrued</u>	<u>Cash</u> <u>Receipts</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Licenses:				
Alcoholic Beverages		\$ 82,870	\$ 82,870	
Others		135,622	135,622	
Fees and Permits		615,346	615,346	
Municipal Court - Fines and Costs	\$ 74,314	1,100,545	1,072,633	\$ 102,226
Interest on Costs on Taxes		134,930	134,930	
Interest on Investments and Deposits		299,000	299,000	
Swimming Pool Fees		113,783	113,783	
Cablevision Fees		265,233	265,233	
PILOT - Housing Authority		79,228	79,228	
PILOT - Mill Creek		571,525	571,525	
PILOT - CVS		62,729	62,729	
PILOT - 55 Market		172,361	172,361	
PILOT - Leona Morris Street		59,305	59,305	
PILOT - 55 Prospect (Modera)		360,705	360,705	
Energy Receipts Tax		2,868,599	2,868,599	
Uniform Construction Code Fees		1,193,801	1,193,801	
Anticipated Airport Utility Operating Surplus		215,000	215,000	
Anticipated General Capital Surplus		150,000	150,000	
Contribution from Sewer Utility for Indirect Costs		131,000	131,000	
Rental of Property - Leases		145,500	145,500	
Police Outside Duty - Administrative Fees		100,000	100,000	
Hotel/Motel Tax		606,539	606,539	
Uniform Fire Safety Act Fees		62,104	62,104	
Rent Leveling Registration		100,980	100,980	
Atlantic Health Settlement		492,802	492,802	
Anticipated Sewer Utility Operating Surplus		3,800,000	3,800,000	
	<u>\$ 74,314</u>	<u>\$ 13,919,507</u>	<u>\$ 13,891,595</u>	<u>\$ 102,226</u>
	<u>Ref.</u> A	Reserve		A
Cash Receipts	A-4		\$ 13,871,619	
Interfunds (Interest)	A-16		19,976	
			<u>\$ 13,891,595</u>	

TOWN OF MORRISTOWN  
CURRENT FUND

2018 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2019

A-13  
Sheet # 1

<u>Appropriation</u>	<u>Committed</u>	<u>Uncommitted</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
<b>SALARIES AND WAGES</b>					
Business Administrator		\$ 9,989	\$ 9,989	\$ 9,000	\$ 989
Senior Citizens		9,251	9,251		9,251
Vital Statistics		2,152	2,152		2,152
Police		88,888	88,888	88,888	
Fire		73,956	73,956	73,000	956
Emergency Management Services		2,000	2,000		2,000
Treasurer		2,019	2,019	1,409	610
Code Enforcement		193	193		193
Public Health		1,600	1,600		1,600
Property Maintenance		2,142	2,142		2,142
Public Works		13,810	13,810	5,439	8,371
Burham/Cauldwell Pool		29,260	29,260		29,260
Animal Control		951	951		951
Planning		1,503	1,503		1,503
Engineering Services and Costs		18,713	18,713	18,000	713
Recreation		57,138	22,138		22,138
Municipal Court		31,347	31,347		31,347
Rent Leveling		4,364	4,364		4,364
Bus Transportation		3,394	3,394		3,394
Tax Collector		17,984	17,984	17,000	984
Legal		1	1		1
Uniform Construction Code		29,416	29,416		29,416
		<u>400,071</u>	<u>365,071</u>	<u>212,736</u>	<u>152,335</u>
<b>OTHER EXPENSES</b>					
Town Clerk	\$ 8,908	17,082	25,990	9,241	16,749
Business Administrator	2,626	15,195	17,821	13,826	3,995
Senior Citizens	1,346	12,417	13,763	1,362	12,401
Vital Statistics	4,940	2,115	7,055	4,124	2,931
Purchasing	1,223	2,281	3,504	2,024	1,480
Police	30,953	40,302	71,255	25,906	45,349
Fire	40,384	866	41,250	34,186	7,064
Emergency Management Services	4,856	96	4,952	4,856	96
Public Works	242,395	279,930	522,325	379,912	142,413
Engineering	4,997	882	5,879	2,436	3,443
Code Enforcement	256	1,820	2,076	256	1,820
Treasurer	1,077	84,099	85,176	80,717	4,459
Collector of Taxes	580	1,036	1,616	198	1,418
Tax Assessor		9,907	9,907	1,267	8,640
Legal	13,315	23,361	71,676	19,462	52,214
Municipal Prosecutor	1	13,499	13,500	3,500	10,000
Municipal Court	3,690	4,474	8,164	4,702	3,462
Insurance		53,823	53,823	53,823	
Group Hospitalization	889	941,605	942,494	207,005	735,489
Uniform Construction Code	755	16,907	17,662	585	17,077
Public Defender	7,200	8,045	15,245	8,700	6,545
Public Health	3,972	2,356	6,328	3,908	2,420
Planning	651	1,274	1,925	(13,649)	15,574

TOWN OF MORRISTOWN  
CURRENT FUND

2018 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2019

A-13  
Sheet # 2

<u>Appropriation</u>	<u>Committed</u>	<u>Uncommitted</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Recreation Burnham Pool	\$ 2,631	\$ 38,766	\$ 41,397	\$ 2,215	\$ 39,182
Recreation	4,269	21,256	25,525	9,081	16,444
Rent Leveling		1,679	1,679		1,679
Shade Tree Commission	1,761	869	2,630	2,056	574
Animal Control		9,656	9,656	2,026	7,630
Recycling	10,811	49,693	60,504	31,229	29,275
Environmental Commission		711	711		711
Municipal Alliance		2,919	2,919		2,919
Whippany River Coalition		1,200	1,200		1,200
Bethal AME		1,500	1,500		1,500
Historic Preservation Commission		2,000	2,000		2,000
Zoning		1,925	1,925	257	1,668
Property Maintenance	386	551	937	386	551
Bus Transportation		3,500	3,500		3,500
Unclassified Reserve for Salary Increases		333,362	333,362	308,362	25,000
Contingent		5,000	5,000		5,000
Total O/E	<u>394,872</u>	<u>2,007,959</u>	<u>2,437,831</u>	<u>1,203,959</u>	<u>1,233,872</u>
Sub-Total	394,872	2,408,030	2,802,902	1,416,695	1,386,207
Social Security System (O.A.S.I.)		48,032	48,032		48,032
PERS		1	1		1
Consolidated Police and Fireman's Pension Fund		2,594	2,594	759	1,835
DCRP		6,014	6,014		6,014
Reserve for Tax Appeals		233,150	233,150	20,505	212,645
Interlocal Municipal Services Agreement		35,629	35,629	35,629	
Grant Matching Funds		15,000	15,000		15,000
Computer/Office Equipment	15,277	3,951	19,228		19,228
Total General Appropriations	<u>\$ 410,149</u>	<u>\$ 2,752,401</u>	<u>\$ 3,162,550</u>	<u>\$ 1,473,588</u>	<u>\$ 1,688,962</u>
Reference	A	A		A-4	A-1

TOWN OF MORRISTOWN  
CURRENT FUND

DUE FROM SOUTHEAST MORRIS COUNTY MUA  
YEAR ENDED DECEMBER 31, 2019

A-14

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 1,770,000
Decreased by:		
Cash Receipt - Anticipated Revenue	A-2, A-4	<u>30,000</u>
Balance, December 31, 2019	A	<u><u>\$ 1,740,000</u></u>

UNAPPROPRIATED GRANTS  
YEAR ENDED DECEMBER 31, 2019

A-15

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 659
Increased by:		
Cash Receipts	A-4	<u>42,803</u>
Balance, December 31, 2019	A	<u><u>\$ 43,462</u></u>

Analysis of Balance

DWI Courts		\$ 1,784
NJ DEP Recycling Tonnage		<u>41,678</u>
		<u><u>\$ 43,462</u></u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

INTERFUNDS  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	<u>Total</u>	<u>Grant Fund</u>	<u>Airport Capital</u>	<u>General Capital</u>
Balance December 31, 2018	A	\$ 88,523	\$ 37,774	\$ 21,000	\$ 29,749
Increased by:					
Interest Accrued	A-12	19,976	1,002		18,974
		<u>108,499</u>	<u>38,776</u>	<u>21,000</u>	<u>48,723</u>
Decreased by:					
Budget Appropriation - CIF	A-3	150,000			150,000
Amount Paid to Current Fund	A-4	72,754	43,005		29,749
Interest Paid to Current Fund	A-4	19,755	781		18,974
		<u>242,509</u>	<u>43,786</u>		<u>198,723</u>
Balance December 31, 2019					
Due From	A	\$ 21,000		\$ 21,000	
Due to	A	<u>\$ (155,010)</u>	<u>\$ (5,010)</u>		<u>\$ (150,000)</u>

Analysis of Net Credit to Fund Balance

## Interfunds Receivable:

December 31, 2019	Above	\$ 21,000
December 31, 2018	Above	<u>88,523</u>

Net Credit	A-1	<u>\$ (67,523)</u>
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TOWN OF MORRISTOWN  
CURRENT FUND

ACCOUNTS PAYABLE  
YEAR ENDED DECEMBER 31, 2019

A-17

Ref.

Balance, December 31, 2019 and 2018	A		\$ 9,118
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COUNTY TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2019

A-18

Ref.

Balance, December 31, 2018	A		\$ 10,289
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Increased by:

Levy-Calendar Year 2019		\$ 7,672,657	
2019 Open Space Tax Levy		226,174	
Due County for Added Taxes		<u>19,028</u>	
	A-1, A-2, A-7		<u>7,917,859</u>
			7,928,148

Decreased by:

Cash Disbursements	A-4		<u>7,909,120</u>
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Balance, December 31, 2019	A		\$ <u>19,028</u>
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REGIONAL SCHOOL TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2019

A-19

Ref.

Balance, December 31, 2018	A		\$ -
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Increased by:

Transferred from Appropriations	A-3	\$ 198,146	
Levy - Calendar Year 2019	A-1, A-2, A-7	<u>33,234,311</u>	<u>33,432,457</u>
			33,432,457

Decreased by:

Cash Disbursements	A-4		<u>33,526,753</u>
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Balance, December 31, 2019	A		\$ <u>(94,296)</u>
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TOWN OF MORRISTOWN  
CURRENT FUND

PREPAID TAXES  
YEAR ENDED DECEMBER 31, 2019

A-20

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 559,797
Increased by:		
Collection of 2020 Taxes	A-4	<u>439,719</u>
		999,516
Decreased by:		
Applied to 2019 Taxes	A-7	<u>559,797</u>
Balance, December 31, 2019	A	<u><u>\$ 439,719</u></u>

TAX OVERPAYMENTS  
YEAR ENDED DECEMBER 31, 2019

A-21

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 102,285
Decreased by:		
Cash Disbursed	A-4	<u>20,192</u>
Balance, December 31, 2019	A	<u><u>\$ 82,093</u></u>

TOWN OF MORRISTOWN  
CURRENT FUND

SPECIAL IMPROVEMENT DISTRICT TAX  
OVERPAYMENTS AND PREPAID  
YEAR ENDED DECEMBER 31, 2019

A-22

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 15,131
Increased by:		
Cash Receipts	A-4	17,926
		<u>33,057</u>
Decreased by:		
Prepays Applied	A-8	15,131
		<u>15,131</u>
Balance, December 31, 2019	A	<u>\$ 17,926</u>

SPECIAL IMPROVEMENTS DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2019

A-23

	<u>Ref.</u>	
Balance, December 31, 2018	A	\$ 8,441
Increased by:		
2019 Billings	A-8	597,087
		<u>605,528</u>
Decreased by:		
Cash Disbursements	A-4	583,941
		<u>583,941</u>
Balance, December 31, 2019	A	<u>\$ 21,587</u>

TOWN OF MORRISTOWN  
CURRENT FUND

FEMA RECEIVABLE  
YEAR ENDED DECEMBER 31, 2019

A-24

	<u>Ref.</u>		
Balance, December 31, 2018	A		\$ 425,000
Decreased by:			
Cash Receipts	A-4	\$ 366,470	
Canceled	A-24	<u>58,530</u>	<u>425,000</u>
Balance, December 31, 2019	A		<u>\$ -</u>

DUE TO STATE OF NEW JERSEY  
YEAR ENDED DECEMBER 31, 2019

A-25

	<u>Ref.</u>		
Balance, December 31, 2018	A		\$ 1,100
Increased by:			
Fees - Due to State	A-1		<u>13,675</u>
			14,775
Decreased by:			
Cash Disbursements	A-4		<u>4,475</u>
Balance, December 31, 2019	A		<u>\$ 10,300</u>



TOWN OF MORRISTOWN

DUE TO/FROM CURRENT FUND  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2019

A-27

	<u>Ref.</u>		
Balance, December 31, 2018 (Due to)	A		\$ 37,774
Increased by:			
Interest Income	A-4		<u>1,002</u>
			38,776
Decreased by:			
Cash Disbursed to Current Fund	A-4	\$ 43,005	
Interest Disbursed to Current Fund	A-4	<u>781</u>	<u>43,786</u>
Balance, December 31, 2019 (Due from)	A		<u>\$ (5,010)</u>

ENCUMBRANCES PAYABLE  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2019

A-28

	<u>Ref.</u>		
Balance, December 31, 2019 and 2018	A		<u>\$ 5,150</u>

TOWN OF MORRISTOWN  
CURRENT FUND

RESERVE FOR APPROPRIATED GRANTS  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2019

	Balance, December 31 2018	Transferred from Budget Appropriations	Paid or Charged	Balance, December 31, 2019
Redev. Plan - Center and Coal Streets	\$ 3,287			\$ 3,287
Pocahontas/Caldwell Parks	49,027			49,027
Senior Center Improvements	846			846
HUD Gramby Park	17,470			17,470
Drunk Driving Enforcement Fund	1,672			1,672
Drunk Driving Enforcement Fund	47,927		\$ 12,093	35,834
NJ DEP - Recreational Trails Grant	4,350			4,350
NJ DEP - Recycling Tonnage 2014	20,673			20,673
NJ DEP - Recycling Tonnage Grant	27,575			27,575
NJ DEP - Recycling Tonnage Grant	86,778		6,244	80,534
NJ DEP Recycling Tonnage - 2018	37,512			37,512
NJ DEP Clean Communities - 2015	8,613			8,613
NJ DEP Clean Communities - 2016	4,974		2,473	2,501
NJ DEP Clean Communities - 2017	9,905			9,905
NJ DEP Clean Communities - 2018	27,288		20,299	6,989
NJ DEP Clean Communities	3,544			3,544
NJ DEP Clean Communities - 2019		\$ 34,928		34,928
Various Contributors to Clean Communities	1,400			1,400
Open Space and Farm Pres. - Cory Road	46,631			46,631
Open Space - Edgewood Project	75,000			75,000
T-Growth Planning Grant	1,000			1,000
Planning Assist - NJ Highlands	12,500			12,500
Water Quality Grant	12,654			12,654
Recreation Trails - Footes Pond	24,957		24,957	
Smart Growth Planning Grant	8,065			8,065
Smart Growth Planning Grant -2010	6,000			6,000
Affordable Housing Grant	12,500			12,500
Dodge Foundation - Footes Pond Donations	4,715		4,715	
Dodge Grant Office of Sustainability	15,611			15,611
County of Morris - Caldwell Playground	32,400			32,400
FEMA Homeland Security - Turnout Gear	1,839			1,839
FEMA Homeland Security - EMW	22,982			22,982
FEMA Generator Grant	148,500			148,500
Morristown Rotary	6,305		6,304	1
NJ DOT - South Street Phase II	62			62
NJ DOT Municipal Aid Program- Abbett Ave (II)	2,506			2,506
NJ DOT Safe Streets to Transit	28,418			28,418
NJ DOT Washington Street Phase II	21,417			21,417
NJ DOT Sussex Avenue Walking Projects	120,000			120,000
NJ DOT MLK Promenade	1,000,000			1,000,000
NJ DOT Pedestrian Safety	4,362			4,362
NJ DOT Train Improvements	50,000			50,000
NJ DOT Lafayette Pedestrian Project		200,000		200,000
NJ DOT Washington Streetscape IV		315,000		315,000
Rutgers Mini Grant - Health	28			28
Green Acres - Open Space (refund from Capital)			(29,625)	29,625
NJ DEP Forestry/Tree Planting	250			250
Morris County Foote's Pond Wood Trail	132,696		132,696	
NJ Distracted Driving	3,492			3,492
TD Green Streets Grant	17,175			17,175
Drive Sober or Get Pulled Over	5,500			5,500
DWI Court Funds	2,008			2,008
Acquisition & Preservation - 20 Hillcrest Ave.	2,267			2,267
Local Aid - Corey Road	13,051			13,051
Pocahontas Dam Seepage Control	80,000		80,000	
Alcohol Education Program	6,867			6,867
Alcohol Rehabilitation - 2013	1,151		300	851
Alcohol Rehabilitation - 2014	1,017			1,017
Alcohol Rehabilitation - 2016	1,753			1,753
Alcohol Education Rehab - 2018	1,094			1,094
Body Armor	4,999			4,999
2014 and Prior Body Armour	9,048		3,635	5,413
2015 Body Armour	5,131			5,131
2016 Body Armour	4,911			4,911
Bullet Proof Vests - 2019		20,202		20,202
Pedestrian Safety, Education & Enforcement	373			373
Pedestrian Safety - 2019		20,000		20,000
Coventis	5,000			5,000
Click It or Ticket	166			166
NJ Healthy Comm Network- Pocahontas	8,500			8,500
Foote's Path Walking Path	100			100
Green Space - Green Shade		20,000	12,745	7,255
CDBG Caldwell Playground		80,000		80,000
	<u>\$ 2,317,842</u>	<u>\$ 690,130</u>	<u>\$ 276,836</u>	<u>\$ 2,731,136</u>

Ref.

A

A-3

A-4

A

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
TRUST FUND

CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2019

B-1

		<u>Animal Control</u>	<u>Other</u>	<u>Self Insurance</u>	<u>Equitable Sharing</u>
Balance, December 31, 2018	Ref. B	\$ 60,307	\$ 4,492,159	\$ 744,477	\$ 719
Increased by:					
Dog Licenses - State Fees	B-2	\$ 991			
Reserve for Animal Control	B-3	10,199			
Interest Earned	B-6		\$ 23,754		
Escrow Deposits	B-8		59,899		
Reserve for Recreation	B-11		143,101		
Miscellaneous Reserves	B-12		2,259,920		
Affordable Housing	B-7		49,982		
Payroll Deduction Payable	B-9		11,697,462		
Police Forfeiture	B-5		2,304		
Equitable Sharing	B-4				\$ 138,959
Claims/ Other Reimbursements	B-10			\$ 2,391	
		<u>11,190</u>	<u>14,236,423</u>	<u>2,391</u>	<u>138,959</u>
		71,497	18,728,582	746,868	139,678
Decreased by:					
Payments to Current Fund	B-6		24,570		
Recreation	B-11		137,013		
Affordable Housing	B-7		462,438		
Other Disbursements	B-10			607,959	
Reserve for Animal Control	B-3	19,353			
Due to State of New Jersey	B-2	1,472			
Police Forfeiture	B-5		5,385		
Miscellaneous Reserves	B-12		1,951,736		
Payroll Deductions Payable	B-9		11,690,431		
Equitable Sharing	B-4				3,100
		<u>20,825</u>	<u>14,271,573</u>	<u>607,959</u>	<u>3,100</u>
Balance, December 31, 2019	B	<u>\$ 50,672</u>	<u>\$ 4,457,009</u>	<u>\$ 138,909</u>	<u>\$ 136,578</u>

TOWN OF MORRISTOWN  
TRUST FUND

DUE TO STATE OF NEW JERSEY  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2019

B-2

	<u>Ref.</u>	
Balance, December 31, 2018	B	\$ 612
Increased by:		
Cash Received	B-1	991
		1,603
Decreased by:		
Cash Disbursements	B-1	1,472
		1,472
Balance, December 31, 2019	B	\$ 131

RESERVE FOR ANIMAL CONTROL EXPENDITURES  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2019

B-3

	<u>Ref.</u>	
Balance, December 31, 2018	B	\$ 59,695
Increased by:		
Dog Licenses Fees Collected	B-1	10,199
		69,894
Decreased by:		
Cash Disbursements	B-1	19,353
		19,353
Balance, December 31, 2019	B	\$ 50,541

TOWN OF MORRISTOWN  
TRUST FUND

RESERVE FOR EQUITABLE SHARING FUND  
YEAR ENDED DECEMBER 31, 2019

B-4

	<u>Ref.</u>	
Balance, December 31, 2018	B	\$ 719
Increased by:		
Cash Received	B-1	138,959
		<u>139,678</u>
Decreased by:		
Cash Disbursements	B-1	3,100
		<u>3,100</u>
Balance, December 31, 2019	B	<u>\$ 136,578</u>

RESERVE FOR POLICE FORFEITURE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2019

B-5

	<u>Ref.</u>	
Balance, December 31, 2018	B	\$ 40,228
Increased by:		
Cash Receipts	B-1	2,304
		<u>2,304</u>
Decreased by:		
Cash Disbursements	B-1	5,385
		<u>5,385</u>
Balance, December 31, 2019	B	<u>\$ 37,147</u>

TOWN OF MORRISTOWN  
TRUST FUND

RESERVE FOR UNEMPLOYMENT COMPENSATION  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	<u>B-6</u>
Balance, December 31, 2018	B	\$ 127,583
Increased by:		
Interest Earned on Investments	B-1	23,754
		151,337
Decreased by:		
Cash Disbursed	B-1	24,570
		24,570
Balance, December 31, 2019	B	\$ 126,767

RESERVE FOR AFFORDABLE HOUSING  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	<u>B-7</u>
Balance, December 31, 2018	B	\$ 1,386,058
Increased by:		
Cash Receipts	B-1	49,982
		1,436,040
Decreased by:		
Cash Disbursed	B-1	462,438
		462,438
Balance, December 31, 2019	B	\$ 973,602

ESCROW DEPOSITS PAYABLE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	<u>B-8</u>
Balance, December 31, 2018	B	\$ 1,182,657
Increased by:		
Escrow Deposits	B-1	59,899
		59,899
Balance, December 31, 2019	B	\$ 1,242,556

TOWN OF MORRISTOWN  
TRUST FUND

PAYROLL DEDUCTIONS PAYABLE  
CURRENT FUND  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2019

B-9

	<u>Ref.</u>	
Balance, December 31, 2018	B	\$ 267,686
Increased by:		
Cash Receipts	B-1	11,697,462
		<u>11,965,148</u>
Decreased by:		
Cash Disbursed	B-1	11,690,431
		<u>11,690,431</u>
Balance, December 31, 2019	B	<u>\$ 274,717</u>

RESERVE FOR SELF-INSURANCE EXPENDITURES  
SELF INSURANCE FUND  
YEAR ENDED DECEMBER 31, 2019

B-10

	<u>Ref.</u>	
Balance, December 31, 2018	B	\$ 744,477
Increased by:		
Claim Reimbursements	B-1	2,391
		<u>746,868</u>
Decreased by:		
Cash Disbursements	B-1	607,959
		<u>607,959</u>
Balance, December 31, 2019	B	<u>\$ 138,909</u>

Analysis of Balance

Reserve for Workers Compensation Claims	\$	41,693
Reserve for Liability Claims		<u>97,216</u>
	\$	<u>138,909</u>

TOWN OF MORRISTOWN  
TRUST FUND

RESERVE FOR RECREATION PROGRAMS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2019

B-11

	<u>Ref.</u>	
Balance, December 31, 2018	B	\$ 95,571
Increased by:		
Cash Receipts	B-1	143,101
		<u>238,672</u>
Decreased by:		
Cash Disbursed	B-1	137,013
		<u>137,013</u>
Balance, December 31, 2019	B	<u>\$ 101,659</u>

MISCELLANEOUS RESERVES AND DEPOSITS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2019

B-12

	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2019
Municipal Court POAA Fees	\$ 27,205	\$ 11,840	\$ 8,340	\$ 30,705
Fire Prevention Donations	5,014			5,014
Fire Prevention Penalties	25,012	9,017	16,554	17,475
Fire Victims Relief	3,711	760	3,449	1,022
Fire Donations	423			423
Epstein's Project Deposits	16,400			16,400
Lease Security Deposits	28,830			28,830
Police Donations	25,444	3,975	5,809	23,610
Purchase of Police Vehicles	168,576	68,587	98,571	138,592
Outside Police Duty Fees	97,484	851,541	889,215	59,810
Outside Police Admin Fees	48,290	102,126	100,047	50,368
Public Works Deposits	109,578	31,655		141,233
Senior Weekend Meals Donations	623			623
Senior Center Donations	3,036	1,825	218	4,643
Jail and Cablevision Legal Reserve	648			648
Public Defender Fees	2,372			2,372
Outside Lien Redemptions	14,399	399,402	214,816	198,985
Flexible Spending	3,600	52,462	46,937	9,125
Flexible Spending - Dependent Care	1,809	21,000	12,780	10,028
Bob Tracey Park Contributions	6,452	100		6,552
Reserve for Restitution	3,150			3,150
Accumulated Sick and Vacation Time	285,201	124,000	250,273	158,928
Other Reserves	8,605		8,605	-
Police Confiscated	14,252	1,158		15,410
Public Tree Donation	5,790	7,574	2,364	11,000
Relocation Assistance Trust	3,000			3,000
Storm Recovery reserve	101,122	124,000		225,122
Premium on Tax Sale Deposits	381,300	448,900	293,367	536,833
Mayor Wellness	1,000		389	611
Footes Pond Trust	50			50
	<u>\$ 1,392,376</u>	<u>\$ 2,259,920</u>	<u>\$ 1,951,736</u>	<u>\$ 1,700,561</u>
	B	B-1	B-1	B

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2019

C-2

	<u>Ref.</u>		
Balance, December 31, 2018	C		\$ 413,759
Increased by:			
Premium on Bond Sale	C-1	\$ 954,462	
Proceeds of Bond Sale	C-9	12,000,000	
Interfund Current - Interest	C-14	<u>18,974</u>	
			<u>12,973,436</u>
			13,387,195
Decreased by:			
Improvement Authorizations	C-6	2,743,799	
Contracts Payable	C-7	947,094	
Payment of Bond Anticipation Notes	C-8	7,130,240	
Paid to Current Fund	C-14	48,723	
Paid to Current Fund - Anticipated Revenue	C-1	<u>150,000</u>	
			<u>11,019,856</u>
Balance, December 31, 2019	C		<u>\$ 2,367,339</u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH  
DECEMBER 31, 2019 AND 2018

C-3

	<u>Balance</u> December 31, 2019	<u>Balance</u> December 31, 2018
Fund Balance	\$ 1,353,449	\$ 548,987
Capital Improvement Fund	289,242	294,092
Reserve for Future Improvements	47,596	47,596
Reserve to Pay Debt Service	2,157	506
Reserve for Bond Costs	9,680	9,680
Contracts Payable	700,014	868,628
Current Interfund	(150,000)	29,749
Excess Funding Ordinance 07-18/09-26	-	1,651
Improvement Authorizations:		
Ordinance		
<u>Number</u>	<u>General Improvements</u>	
05-29	Various Capital Improvements	782
06-14	Various Capital Improvements	15,806
06-15	Various Capital Improvements	2,939
07-17	Acq. Of Vehicles and Equipment	13
08-20	Various Capital Improvements	328
09-25	Various Public Improvements and Acquisitions	9,425
10-21	Various Capital Improvements	59
11-09	Various Capital Improvements	3,034
12-17	Various Capital Improvements	695
13-16	Various Capital Improvements	2,948
14-23	Various Capital Improvements	31,816
15-09	Various Capital Improvements	439
16-05	Acquisition of Property	192,366
16-19	Various Capital Improvements	72,630
16-27	Acquisition of Property	15,000
17-15	Various Capital Improvements	327,502
17-21	Developer Contribution - Speedwell	248,775
18-10	Washington Streetscape	30,000
18-21	Acquisition of Loyola Property	(244,150)
18-23	Various Capital Improvements	155,489
18-38	Loyola Supplemental	(4,625)
19-14	Various Capital Improvements	(956,166)
19-40	Hydro Raking at Footes Pond	15,000
	<u>\$ 2,367,339</u>	<u>\$ 413,759</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - FUNDED  
YEAR ENDED DECEMBER 31, 2019

C-4

	<u>Ref.</u>	
Balance, December 31, 2018	C	\$ 13,298,447
Increased by:		
Sale of Bonds	C-5	<u>12,000,000</u>
		25,298,447
Decreased by:		
2019 Budget Appropriation to Pay Serial Bonds	C-9	<u>2,939,447</u>
Balance, December 31, 2019	C	<u><u>\$ 22,359,000</u></u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
YEAR ENDED DECEMBER 31, 2019

C-5

<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2018</u>	<u>2019 Authorizations</u>	<u>Transfer to Reserve for Debt Service</u>	<u>Bond Sale</u>	<u>Balance December 31, 2019</u>	<u>Analysis of Balance December 31, 2019</u>	
							<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>
09-34	Refunding Tax Appeals	\$ (1,651)		\$ 1,651				
09-15	Various Capital Improvements	2,558,240			\$ 2,558,240			
16-05	Acquisition of Property	332,000			332,000			
16-19	Various Capital Improvements	2,768,000			2,768,000			
16-27	Acquisition of Property	472,000			472,000			
17-15	Various Capital Improvements	3,170,000			3,170,000			
18-21	Acquisition of Loyola Property	244,150			244,150			
18-23	Various Capital Improvements	2,904,150			2,455,610	\$ 448,540		\$ 448,540
18-38	Loyola Supplemental	475,000				475,000	\$ 4,625	470,375
19-14	Various Capital Improvements		\$ 2,657,150			2,657,150	956,166	1,700,984
19-40	Hydro Raking at Footes Pond		285,000			285,000		285,000
		<u>\$ 12,921,889</u>	<u>\$ 2,942,150</u>	<u>\$ 1,651</u>	<u>\$ 12,000,000</u>	<u>\$ 3,865,690</u>	<u>\$ 960,791</u>	<u>\$ 2,904,899</u>
<u>Ref.</u>		C	C-6, C-15	C-11	C-4	C	C-3	C-6

TOWN OR MORRISTOWN  
GENERAL CAPITAL FUND

IMPROVEMENT AUTHORIZATIONS  
YEAR ENDED DECEMBER 31, 2019

C-6

Ord.No.	Improvement Authorizations	Ordinance Amount	Balance, December 31, 2018		2019 Authorizations			Paid or Charged	Balance, December 31, 2019	
			Funded	Unfunded	Deferred Charges Future Taxation Unfunded	Capital Improvement Fund	Contracts Payable/ (Canceled)		Funded	Unfunded
05-29	Various Capital Improvements	\$ 2,610,000	\$ 8,870				\$ 8,088	\$ 782		
06-14	Various Capital Improvements	451,100	33,633				17,827	15,806		
06-15	Various Capital Improvements	1,895,000	2,939			\$ 81	2,858			
07-17	Acquisition of Various Vehicles and Equipment	150,000	13				13			
08-20	Various Capital Improvements	1,562,000	92			(328)	92	328		
09-25	Various Public Improvements & Acquisitions	485,000	9,425				9,425			
10-21	Various Capital Improvements	685,000				(59)		59		
11-09	Various Capital Improvements	1,220,000	3,034				3,034			
12-17	Various Capital Improvements	1,757,000	695				695			
13-16	Various Capital Improvements	1,195,000	2,948				2,948			
14-23	Various Capital Improvements	2,600,000	90,756			(296)	59,236	31,816		
15-09	Various Capital Improvements	2,822,600		\$ 71,654		2,640	68,575	439		
16-05	Acquisition of Property	355,000		192,366			-	192,366		
16-19	Various Capital Improvements	3,795,000		102,505		529	29,346	72,630		
16-27	Acquisition of Property	505,000		15,000				15,000		
17-15	Various Capital Improvements	4,068,566		648,365		(63,561)	384,424	327,502		
17-21	Developer Contribution - Speedwell	250,000	248,775					248,775		
18-10	Washington Streetscape	30,000	30,000			30,000				
18-23	Various Capital Improvements	3,057,000		2,445,100		387,010	1,454,061	155,489	\$ 448,540.00	
18-38	Loyola Supplemental	500,000	25,000	475,000			29,625		470,375	
19-14	Various Capital Improvements	2,797,000			\$ 2,657,150	\$ 139,850	422,464	673,552	1,700,984	
19-40	Hydro Raking at Footes Pond	300,000			285,000	15,000			15,000	285,000
			<u>\$ 456,180</u>	<u>\$ 3,949,990</u>	<u>\$ 2,942,150</u>	<u>\$ 154,850</u>	<u>\$ 778,480</u>	<u>\$ 2,743,799</u>	<u>\$ 1,075,992</u>	<u>\$ 2,904,899</u>
	Ref.		C	C	C-5	C-13	C-7	C-2	C	C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

C-7

CONTRACTS PAYABLE  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	
Balance, December 31, 2018	C	\$ 868,628
Increased by:		
Contracts Originating in 2019 - net	C-6	<u>778,480</u>
		1,647,108
Decreased by:		
Cash Disbursements	C-2	<u>947,094</u>
Balance, December 31, 2019	C	<u><u>\$ 700,014</u></u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

BOND ANTICIPATION NOTES  
YEAR ENDED DECEMBER 31, 2019

C-8

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Decrease</u>	<u>Balance, December 31, 2019</u>
2009-15	Various Capital Improvements	9/29/2016			\$ 2,558,240	\$ 2,558,240	\$
2016-05	Various Capital Improvements	9/29/2016			332,000	332,000	
2016-19	Various Capital Improvements	11/23/2016			2,768,000	2,768,000	
2016-27	Various Capital Improvements	11/23/2016			472,000	472,000	
2017-15	Various Capital Improvements	11/27/2017			1,000,000	1,000,000	
					<u>\$ 7,130,240</u>	<u>\$ 7,130,240</u>	<u>\$</u>
				<u>Ref.</u>	C	C-2	

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

C-9

GENERAL SERIAL BONDS  
YEAR ENDED DECEMBER 31, 2019

Issue	Date of Issue	Original Issue	Maturity of Bonds Outstanding December 31, 2019		Interest Rate	Balance, December 31, 2018	Increase	Decrease	Balance, December 31, 2019
			Date	Amount					
Refunding Bonds of 2005	2005	\$ 7,961,260				\$ 874,447		\$ 874,447	
Refunding Bonds of 2009	3/1/2009	1,150,000	3/1/20	\$ 230,000	4.25 %	1,150,000		235,000	\$ 915,000
			3/1/21	235,000	5.00				
			3/1/22	230,000	5.00				
			3/1/23	220,000	5.00				
Refunding Bonds of 2014	3/15/2014	4,975,000				1,275,000		1,275,000	
General Improvement Bonds of 2016	5/25/2016	10,924,000.00	6/1/20	620,000	4.00 %	9,999,000		555,000	9,444,000
			6/1/21	635,000	3.00				
			6/1/22	650,000	3.00				
			6/1/23	665,000	3.00				
			6/1/24	685,000	3.00				
			6/1/25	700,000	3.00				
			6/1/26	725,000	3.00				
			6/1/27	745,000	2.00				
			6/1/28	765,000	2.00				
			6/1/29	810,000	2.25				
			6/1/30	810,000	2.25				
			6/1/31	815,000	2.50				
			6/1/32	819,000	3.00				
			General Improvement Bonds of 2019	5/2/2019	12,000,000				
2/1/2021	1,500,000	5.00							
2/1/2022	1,500,000	5.00							
2/1/2023	700,000	5.00							
2/1/2024	725,000	5.00							
2/1/2025	700,000	5.00							
2/1/2026	750,000	5.00							
2/1/2027-29	675,000	2.00-3.00							
2/1/2030-33	650,000	3.00							
						\$ 13,298,447	\$ 12,000,000	\$ 2,939,447	\$ 22,359,000

Ref.            C                    C-2, C-4                    C-4                    C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

RESERVE FOR REFUNDING  
BOND ISSUANCE COSTS  
YEAR ENDED DECEMBER 31, 2019

C-10

	<u>Ref.</u>	
Balance, December 31, 2019 and 2018	C	<u>\$ 9,680</u>

RESERVE FOR PAYMENT OF DEBT SERVICE  
YEAR ENDED DECEMBER 31, 2019

C-11

	<u>Ref.</u>	
Balance, December 31, 2018	C	\$ 506
Increased by:		
Transfer from Deferred Charges to Future Taxation - Unfunded	C-5	<u>1,651</u>
Balance, December 31, 2019	C	<u>\$ 2,157</u>

RESERVE FOR FUTURE IMPROVEMENTS  
YEAR ENDED DECEMBER 31, 2019

C-12

		<u>Balance, December 31, 2019 and 2018</u>
Computer Upgrades		\$ 7,946
Traffic Study		4,650
Open Space		15,000
Developer's Contribution		<u>20,000</u>
		<u>\$ 47,596</u>
	<u>Ref.</u>	C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

CAPITAL IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2019

C-13

	<u>Ref.</u>	
Balance, December 31, 2018	C	\$ 294,092
Increased by:		
Budget Appropriation	C-14	150,000
		<u>444,092</u>
Decreased by:		
Improvement Authorizations Funded	C-6	154,850
		<u>154,850</u>
Balance, December 31, 2019	C	<u>\$ 289,242</u>

DUE TO/FROM CURRENT FUND  
YEAR ENDED DECEMBER 31, 2019

C-14

	<u>Ref.</u>	
Balance, December 31, 2018 (Due To)	C	\$ 29,749
Increased by:		
Interest Accrued	C-2	18,974
		<u>48,723</u>
Decreased by:		
Capital Improvement Fund Appropriation	C-13	150,000
Cash Disbursements	C-2	48,723
		<u>48,723</u>
Balance, December 31, 2019 (Due From)	C	<u>\$ (150,000)</u>

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2019

C-15

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>	<u>2019</u> <u>Authorizations</u>	<u>Bonds Issued</u>	<u>Balance</u> <u>December 31,</u> <u>2019</u>
15-17	Various Capital Improvements	\$ 2,170,000		\$ 2,170,000	
18-21	Acquisition of Loyola Property	244,150		244,150	
18-23	Various Capital Improvements	2,904,150		2,455,610	\$ 448,540
18-38	Loyola Supplemental	475,000			475,000
19-14	Various Capital Improvements		\$ 2,657,150		2,657,150
19-40	Hydro Raking at Footes Pond		285,000		285,000
		<u>\$ 5,793,300</u>	<u>\$ 2,942,150</u>	<u>\$ 4,869,760</u>	<u>\$ 3,865,690</u>
		<u>Ref.</u>	C	C-5	C

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

CASH - SEWER TREASURER  
DECEMBER 31, 2019

D-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2018	D	\$ 1,138,042	\$ 2,511,118
Increased by Receipts:			
Consumer Accounts Receivable	D-3, D-6	\$ 7,517,218	
Reserve for Sewer Connection Fees	D-15		\$ 105,343
Anticipated Revenues:			
Sale of SREC's	D-3	106,813	
Late Fees	D-3	25,636	
Sewer Connection Fees (from Capital)	D-3	309,500	
Interest (from Capital)	D-3, D-10	16,811	
Premium on Note Sale	D-2		11,494
Capital Improvement Fund	D-13		487,000
Prepaid Sewer Fees	D-14	67,205	
Interest on Investments	D-3, D-10	14,943	16,811
MRNA	D-3	352	
		<u>8,058,478</u>	<u>620,648</u>
Decreased by Disbursements:			
2019 Budget Appropriations	D-4	7,589,070	
2018 Budget Appropriations	D-9	314,291	
Refund of Overpayments	D-11	2,666	
Improvement Authorizations	D-21		276,670
Accrued Interest on Bonds and Notes	D-12	213,550	
Payments to Sewer Operating Fund	D-10		16,811
Reserve for Connection Fees	D-15		309,500
		<u>8,119,577</u>	<u>602,981</u>
Balance, December 31, 2019	D	<u>\$ 1,076,943</u>	<u>\$ 2,528,785</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

SEWER UTILITY CAPITAL CASH  
SEWER UTILITY CAPITAL FUND  
DECEMBER 31, 2019 AND 2018

D-5A

	<u>Balance</u> <u>December 31,</u> <u>2019</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>
Fund Balance	\$ 215,254	\$ 203,760
Contracts Payable	589,831	301,655
Reserve for Sewer Connections	652,145	856,302
Capital Improvement Fund	152,000	152,000

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvements Description</u>	
72-10/88-06	Improvements to Sanitary Sewerage System	(995) (995)
08-10	Solar Energy Project	(280,733) (289,705)
11-20	Improv. to Sewer Utility Complex	11,447
14-22	Various Sewer Repairs	2,127
15-21	Various Sewer Improvements	18,716
16-26	Various Sewer Improvements	194,991 265,866
17-20	Various Sewer Improvements	207,916 386,289
18-41	Various Sewer Improvements	311,376 603,656
19-25	Various Sewer Improvements	487,000
		<u>\$ 2,528,785</u> <u>\$ 2,511,118</u>

CONSUMERS ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

D-6

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 219,349
Increased by:		
Sewer Rents Levied	Reserve	7,606,848
		7,826,197
Decreased by:		
Sewer Rents Collected:		
Cash Receipts	D-5	\$ 7,517,218
Prepaid Applied	D-14	83,655
	D-3	7,600,873
Balance, December 31, 2019	D	\$ 225,324

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

FIXED CAPITAL  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-7

Balance, December 31, 2018	D	\$ 71,243,354
Increased by:		
Transfer from Fixed Capital Authorized and Uncompleted	D-8	<u>7,769,047</u>
Balance, December 31, 2019	D	<u>\$ 79,012,401</u>

FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-8

<u>Or. No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2018</u>	<u>2019 Authorizations Deferred Charges to Future Revenue</u>	<u>Transferred to Fixed Capital</u>	<u>Balance December 31, 2019</u>
08-10	Solar Energy Project	\$ 4,900,000		\$ 4,889,047	\$ 10,953
11-20	Improv. to Sewer Utility Complex	2,000,000		2,000,000	
12-34	Sewer Complex Supplemental	625,000			625,000
14-22	Various Sewer Repairs	210,000		210,000	
15-21	Various Sewer Improvements	670,000		670,000	
16-26	Various Sewer Improvements	670,000			670,000
17-20	Various Sewer Improvements	670,000			670,000
18-41	Various Sewer Improvements	670,000			670,000
19-25	Various Sewer Improvements		\$ 487,000		487,000
		<u>\$ 10,415,000</u>	<u>\$ 487,000</u>	<u>\$ 7,769,047</u>	<u>\$ 3,132,953</u>
<u>Ref.</u>		D	D-21	D-7	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

D-9

	Balance		Balance	Paid or	Balance
	December 31, 2018				
	Reserved	Encumbered	Transfers		
Operating:					
Salary and Wages	\$ 63,129		\$ 63,129	\$ 53,235	\$ 9,894
Other Sewer Expenses	218,495	\$ 41,085	259,580	218,495	41,085
Other Expenses	32,561		32,561	32,561	
Reserve for Salary Increases	10,000		10,000	10,000	
	<u>\$ 324,185</u>	<u>\$ 41,085</u>	<u>\$ 365,270</u>	<u>\$ 314,291</u>	<u>\$ 50,979</u>
Ref.	D	D		D-5	D-1

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

D-10

INTERFUNDS  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	<u>Sewer Operating Fund</u>	<u>Sewer Capital Fund</u>
Increased by:			
Cash Transferred to Sewer Operating Fund	D-5	\$ 16,811.00	
Accrued Interest/MRNA	D-5		\$ 16,811.00
		16,811	16,811
Decreased by:			
Interest Income/MRNA	D-3	16,811	
Cash Receipts	D-5		16,811
		16,811	16,811
Balance December 31, 2019			
Due from		\$ -	
Due (to)			\$ -

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

OVERPAYMENTS  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

D-11

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 7,450
Decreased by:		
Refunds	D-5	<u>2,666</u>
Balance, December 31, 2019	D	<u><u>\$ 4,784</u></u>

ACCRUED INTEREST ON BONDS AND NOTES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

D-12

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 73,847
Increased by:		
Budget Appropriation for:		
Interest on Bonds and Notes	D-4	<u>204,421</u>
		278,268
Decreased by;		
Cash Disbursements	D-5	<u>213,550</u>
Balance, December 31, 2019	D	<u><u>\$ 64,718</u></u>
Analysis:		
Bonds		\$ 33,486
Notes		<u>31,232</u>
		<u><u>\$ 64,718</u></u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

CAPITAL IMPROVEMENT FUND  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-13

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 152,000
Increased by:		
Budget Appropriation	D-5	487,000
		639,000
Decreased by:		
Finance Improvement Authorization	D-20	487,000
		487,000
Balance, December 31, 2019	D	\$ 152,000

PREPAID SEWER FEES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

D-14

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 83,655
Increased by:		
Cash Receipts	D-5	67,205
		150,860
Decreased by:		
Applied	D-6	83,655
		83,655
Balance, December 31, 2019	D	\$ 67,205

RESERVE FOR SEWER CONNECTION FEES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-15

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 856,302
Increased by:		
Cash Receipts	D-5	105,343
		961,645
Decreased by:		
Realized in Operating Fund	D-5	309,500
		309,500
Balance, December 31, 2019	D	\$ 652,145

See Independent Auditors' Report

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

SERIAL BONDS  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-16

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2019</u>			<u>Interest Rate</u>	<u>Balance,</u>	<u>Decrease</u>	<u>Balance,</u>	
			<u>Date</u>	<u>Amount</u>			<u>December 31,</u>		<u>December 31,</u>	
							<u>2018</u>		<u>2019</u>	
Refunding Bonds of 2005	2005	\$ 6,843,105					\$ 515,550	\$ 515,550		
Refunding Bonds 2009	10/1/09	2,475,000	3/1/20	\$ 495,000	4.25 %		2,475,000	505,000	\$ 1,970,000	
			3/1/21	495,000	5.00					
			3/1/22-23	490,000	5.00					
Refunding Bonds 2011B	7/13/11	820,000	3/1/20	80,000	3.00 %		300,000	80,000	220,000	
			3/1/21	75,000	3.00					
			3/1/22	65,000	3.13					
Refunding Bonds 2014	3/15/14	625,000					155,000	155,000		
							\$ 3,445,550	\$ 1,255,550	\$ 2,190,000	
							<u>Ref</u>	D	D-19	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

BOND ANTICIPATION NOTES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-17

<u>Ord No.</u>	<u>Date of Original Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Decrease</u>	<u>Balance, December 31, 2019</u>
11-20 Improvements to Sewer Utility Complex	6/14/12	6/5/20	2.5%	\$ 1,697,610	\$ 247,468	\$ 1,450,142
11-10 Facility Repairs & Improvements	6/14/12	6/5/20	2.5%	342,454	50,000	292,454
12-16 Facility Repairs & Improvements	9/7/12	6/5/20	2.5%	181,936	2,532	179,404
				<u>\$ 2,222,000</u>	<u>\$ 300,000</u>	<u>\$ 1,922,000</u>
			<u>Ref.</u>	D	D-19	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

CONTRACTS PAYABLE  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-18

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 301,655
Increased by:		
Adjusted Contracts Payable	D-21	288,176
Balance, December 31, 2019	D	<u>\$ 589,831</u>

RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-19

	<u>Ref.</u>	
Balance, December 31, 2018	D	\$ 72,217,825
Increased by:		
Paid by Budget Appropriation - BANs	D-17	\$ 300,000
Transfer from Deferred Reserve for Amortization	D-20	1,504,345
Paid by Budget Appropriation - Serial Bonds	D-16	<u>1,255,550</u>
Balance, December 31, 2019	D	<u>\$ 75,277,720</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

D-20

DEFERRED RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>	<u>Increases</u>	<u>Transferred to</u> <u>Reserve for</u> <u>Amortization</u>	<u>Balance</u> <u>December 31,</u> <u>2019</u>
08-10	Solar Energy Project	\$ 1,515,298		\$ 1,504,345	\$ 10,953
17-20	Various Sewer Improvements	670,000			670,000
18-41	Various Sewer Improvements	670,000			670,000
25-19	Various Sewer Improvements		\$ 487,000		487,000
		<u>\$ 2,855,298</u>	<u>\$ 487,000</u>	<u>\$ 1,504,345</u>	<u>\$ 1,837,953</u>
<u>Ref.</u>		D	D-13	D-19	D

TOWNSHIP OF MORRISTOWN  
SEWER UTILITY FUND

IMPROVEMENT AUTHORIZATIONS  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-21

Ord. No	Improvement Description	Ordinance Amount	Balance December 31, 2018		2019 Authorization	Adjusted	Paid or Charged	Balance December 31, 2019	
			Funded	Unfunded				Funded	Unfunded
08-10	Solar Energy Project	\$ 4,900,000		\$ 1,981		\$ 9,976	\$ 1,004		\$ 10,953
11-20	Improvement to Sewer Complex	2,000,000		11,447			11,447		
12-34	Sewer Complex - Supplemental	625,000		625,000					625,000
14-22	Various Sewer Repairs	210,000	\$ 2,127				2,127		
15-21	Various Sewer Improvements	670,000	18,716			5,338	24,054		
16-26	Various Sewer Improvements	670,000	265,866			(4,415)	66,460	\$ 194,991	
17-20	Various Sewer Improvements	670,000	386,289			(54,013)	124,360	207,916	
18-41	Various Sewer Improvements	670,000	603,656			(245,062)	47,218	311,376	
25-19	Various Sewer Improvements	487,000			\$ 487,000			487,000	
			<u>\$ 1,276,654</u>	<u>\$ 638,428</u>	<u>\$ 487,000</u>	<u>\$ (288,176)</u>	<u>\$ 276,670</u>	<u>\$ 1,201,283</u>	<u>\$ 635,953</u>
<u>Ref.</u>			D	D	D-8	D-18	D-5	D	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

D-22

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2019 and 2018</u>
72-10/88-06	Improvements to Sanitary Sewerage System	\$ 995
08-10	Solar Energy Project	291,686
12-34	Sewer Complex Supplemental	<u>625,000</u>
		<u>\$ 917,681</u>

Ref.      D

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2019

E-5

	<u>Ref.</u>	<u>Operating Fund</u>		<u>Capital Fund</u>
Balance, December 31, 2018	E	\$ 22,905		\$ 944
Increased by Receipts:				
Received from Federal Aviation Administration	E-9		\$ 3,077,417	
Received from DM Developers	E-6	\$ 221,273		308,863
Received from State of New Jersey	E-10			730,233
Interest on Investments	E-3	1,124		
Interest Income - Due from Airport Capital	E-20	371		371
		<u>222,768</u>		<u>4,116,884</u>
		245,673		4,117,828
Decreased by Disbursements:				
Improvement Authorizations	E-13		3,613,973	
Transferred to Operating	E-20		371	
Transferred to Current Fund	E-19	<u>215,000</u>		<u>3,614,344</u>
		<u>215,000</u>		<u>3,614,344</u>
Balance, December 31, 2019	E	<u>\$ 30,673</u>		<u>\$ 503,484</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

E-5a

ANALYSIS OF CAPITAL CASH  
DECEMBER 31, 2019 AND 2018

	<u>Balance,</u> <u>December 31,</u> <u>2019</u>	<u>Balance,</u> <u>December 31,</u> <u>2018</u>
Fund Balance	\$ 211	\$ 211
Due from FAA	(7,366,074)	(2,790,705)
Due from State of New Jersey	(909,757)	(404,836)
Due to/(from) Lessee	(243,852)	(37,559)
Due to Current Fund	21,000	21,000
Reserve for Future Improvements	106,517	106,517
Contracts Payable	8,575,776	2,786,653

<u>Ord. No.</u>	<u>Improvement Authorizations:</u>	
19-13	Runway 5-23 Feasibility Phase I	13,072
30-15	Runway 5-23 Keel Rehabilitation	40,072
40-16	Runway 31 Obstruction Removal	131,000
23-17	Fuel Farm Safety and Security	144,591
07-18	Certain Capital Improvements	4,000
		<u>\$ 503,484</u>
		<u>\$ 944</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

REVENUE ACCOUNTS RECEIVABLE  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

E-6

	<u>Ref.</u>	
Balance, December 31, 2018		\$ -
Increased by:		
Lease Rental Accrued	Reserve	221,273
		221,273
Decreased by:		
Cash Receipts	E-5	221,273
		221,273
Balance, December 31, 2019		\$ -

FIXED CAPITAL  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-7

		<u>Balance December 31, 2019 and 2018</u>
Building, Hangars, Lighting and Fencing		\$ 5,151,382
Apron and Taxiways		16,289,414
Parking Gate		13,561
Purchase of Land and Enlargement of Airport		5,943,801
Sanitation Sewer and Access Road		10,000
Various Improvements of Municipal Airport		4,608,153
Drainage Improvements		600,350
Electrical Vault Relocation/Circuit Replacement		1,420,705
Airport Overlay Project		860,587
Airport Layout Plan Update		225,000
Master Plan		278,817
Environmental Assessment		1,181,643
Automated Weather Observation System		340,758
Runway Rehabilitation and Improvements		23,546,351
Prec. Approach Indicator (PAPI)		49,425
Wildlife/Deer Fence		1,079,025
Tractor and Snow Removal Equipment		772,001
Fire and Rescue Trucks		246,606
Various Equipment and Vehicles		9,107
		9,107
		\$ 62,626,686

Ref.

E

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-8

<u>Ord No.</u>	<u>Improvement Description</u>	Balance, December 31, 2018	2019 Authorizations Deferred Reserve for Amortization	Balance, December 31, 2019
15-27	Runway 5-23 Rehabilitation	\$ 5,241,000		\$ 5,241,000
15-30	Runway 5-23 Keel Rehabilitation	2,000,000		2,000,000
16-29	Rehabilitation of Taxiway B	914,671		914,671
16-32	Runway 23 Obstruction Removal	122,552		122,552
16-40	Runway 31 Obstruction Removal	131,000		131,000
17-23	Fuel Farm Safety and Security	276,500		276,500
17-24	Runway 23 Obstr. Removal Phase II	1,151,886		1,151,886
17-26	Environmental Assessment	149,960		149,960
18-07	Certain Capital Improvements	229,000		229,000
18-32	Certain Capital Improvements	2,083,084		2,083,084
19-31	Runway 13-31 Keel Rehabilitation Phase I		\$ 900,000	900,000
19-36	Runway 5-23 Safety Area Phase III		8,293,709	8,293,709
19-47	Runway 5-23 Safety Area Phase IV		209,387	209,387
		<u>\$ 12,299,653</u>	<u>\$ 9,403,096</u>	<u>\$ 21,702,749</u>

Ref.            E                                    E-13                                    E

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

DUE FROM FEDERAL AVIATION ADMINISTRATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-9

	<u>Ref.</u>	
Balance, December 31, 2018	E	\$ 2,790,705
Increased by:		
2019 Improvement Authorizations	E-13	<u>7,652,786</u>
		10,443,491
Decreased by:		
Cash Receipts	E-5	<u>3,077,417</u>
Balance, December 31, 2019	E	<u><u>\$ 7,366,074</u></u>

DUE FROM STATE OF NEW JERSEY  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-10

	<u>Ref.</u>	
Balance, December 31, 2018	E	\$ 404,836
Increased by:		
2019 Improvement Authorizations	E-13	<u>1,235,154</u>
		1,639,990
Decreased by:		
Cash Receipts	E-5	<u>730,233</u>
Balance, December 31, 2019	E	<u><u>\$ 909,757</u></u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

DUE FROM LESSEE  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-11

	<u>Ref.</u>	
Balance, December 31, 2018	E	\$ 37,559
Increased by:		
2019 Improvement Authorizations	E-13	515,156
		<u>552,715</u>
Decreased by:		
Cash Received	E-5	308,863
		<u>308,863</u>
Balance, December 31, 2019	E	<u>\$ 243,852</u>

APPROPRIATION RESERVES  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

E-12

	<u>Balance, December 31, 2018</u>	<u>Balance After Transfers</u>	<u>Balance Lapsed</u>
Operating:			
Other Expenses	\$ 5,000	\$ 5,000	\$ 5,000
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
<u>Ref.</u>	E		E-1

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

IMPROVEMENT AUTHORIZATIONS  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-13

<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>	<u>Balance December 31, 2018 Funded</u>	<u>Grants</u>	<u>Encumbrances</u>	<u>Paid or Charged</u>	<u>Adjusted Encumbrances</u>	<u>Balance December 31, 2019 Funded</u>
27-15	Runway 5-23 Professional Fees	\$ 4,998,228				\$ 99,558	\$ (99,558)	
30-15	Runway 5-23 Keel Rehabilitation	2,000,000	\$ 13,072				(27,000)	\$ 40,072
32-16	Obstruction Removal Professional Fees	122,552						
40-16	Runway 31 Obstruction Removal	131,000	131,000					131,000
23-17	Fuel Farm Safety and Security	276,500	144,591					144,591
24-17	Runway 5-23 Obstruction Removal Phase II	1,151,886				65,660	(65,660)	
26-17	Runway 13-31 Environmental Removal	149,960				14,021	(14,021)	
07-18	Certain Capital Improvements	229,000	31,000			186,750	(159,750)	4,000
32-18	Certain Capital Improvements	2,083,084				1,780,283	(1,780,283)	
31-19	Runway 13-31 Keel Rehabilitation Phase I	900,000		\$ 900,000	\$ 900,000			
36-19	Runway 5-23 Safety Area Phase III	8,293,709		8,293,709	6,826,008	1,467,701		
47-19	Runway 5-23 Safety Area Phase IV	209,387		209,387	209,387			
			<u>\$ 319,663</u>	<u>\$ 9,403,096</u>	<u>\$ 7,935,395</u>	<u>\$ 3,613,973</u>	<u>\$ (2,146,272)</u>	<u>\$ 319,663</u>
	<u>Ref.</u>		E	E-8	E-16	E-5	E-16	E
	Due from FAA	E-9		\$ 7,652,786				
	Due from NJDOT	E-10		1,235,154				
	Due from DM Developers	E-11		515,156				
		E-15		<u>\$ 9,403,096</u>				

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

RESERVE FOR AMORTIZATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-14

	<u>Ref.</u>	
Balance, December 31, 2019 and 2018	E	<u>\$ 62,626,686</u>

DEFERRED RESERVE FOR AMORTIZATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-15

	<u>Ref.</u>	
Balance, December 31, 2018	E	\$ 12,299,653
Increased by:		
New Projects	E-13	9,403,096
Balance, December 31, 2019	E	<u>\$ 21,702,749</u>

Balance,  
December 31,  
2019

Description

Runway 5-23 Rehabilitation	\$ 13,744,096
Runway 5-23 Keel Rehabilitation	2,000,000
Runway 5-23 Environmental Mit.	229,000
Runway 13-31 Keel Rehabilitation	2,983,084
Rehab. of Taxiway B	914,671
Runway 23 Obstruction Removal	1,274,438
Runway 31 Obstruction Removal	131,000
Fuel Farm Safety	276,500
Environmental Assessment	149,960
	<u>\$ 21,702,749</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

CONTRACTS PAYABLE  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-16

	<u>Ref.</u>	
Balance, December 31, 2018	E	\$ 2,786,653
Increased by:		
Charges to Improvement Authorizations	E-13	<u>7,935,395</u>
		10,722,048
Decreased by:		
Adjustments	E-13	<u>2,146,272</u>
Balance, December 31, 2019	E	<u><u>\$ 8,575,776</u></u>

RESERVE FOR FUTURE IMPROVEMENTS  
AIRPORT UTILITY CAPITAL FUND  
DECEMBER 31, 2019

E-17

	<u>Ref.</u>	
Balance, December 31, 2019 and 2018	E	<u><u>\$ 106,517</u></u>

DUE TO CURRENT FUND  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

E-18

	<u>Ref.</u>	
Balance, December 31, 2019 and 2018	E	<u><u>\$ 21,000</u></u>

TOWN OF MORRISTOWN  
DUE TO CURRENT FUND  
 AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	<u>E-19</u>
Balance, December 31, 2018		\$ -
Increased by:		
Fund Balance Anticipated by Current Fund	E-4	215,000
		<u>215,000</u>
Decreased by:		
Funds Disbursed to Current Fund	E-5	215,000
		<u>215,000</u>
Balance, December 31, 2019		<u><u>\$ -</u></u>

DUE FROM AIRPORT CAPITAL  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2019

		<u>E-20</u>
Balance, December 31, 2018		\$ -
Increased by:		
Interest Accrued by Capital	E-3, E-5	371
		<u>371</u>
Decreased by:		
Funds Received by Operating	E-5	371
		<u>371</u>
Balance, December 31, 2019		<u><u>\$ -</u></u>

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -  
CURRENT FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$2,900,000	3.39%	\$3,000,000	3.53%
Miscellaneous – From Other Than Local				
Property Tax Levies	14,611,725	17.10	15,617,006	18.37
Collection of Delinquent Taxes	535,638	0.62	529,818	0.62
Collection of Current Tax Levy	64,968,473	76.00	63,891,471	75.15
Non-Budget Revenue	708,980	0.84	911,589	1.03
Other Credits to Income	<u>1,756,485</u>	<u>2.05</u>	<u>1,020,440</u>	<u>1.30</u>
Total Income	<u>85,481,301</u>	<u>100.00%</u>	<u>85,030,324</u>	<u>100.00%</u>
 <b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	40,840,651	49.69%	42,127,330	50.77%
Transfer to Board of Education	198,146	.24	197,705	0.24
County Taxes	7,917,859	9.63	8,121,558	9.79
Regional School Taxes	<u>33,234,311</u>	<u>40.44</u>	<u>32,523,791</u>	<u>39.20</u>
Total Expenditures	<u>82,190,967</u>	<u>100.00%</u>	<u>82,970,383</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	3,290,334		2,059,941	
Fund Balance, Beginning of Year	<u>13,707,441</u>		<u>14,647,500</u>	
	16,997,775		16,707,441	
Decreased by: Utilization as Anticipated Revenue	<u>2,900,000</u>		<u>3,000,000</u>	
Fund Balance, End of Year	<u>\$14,097,775</u>		<u>\$ 13,707,441</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -  
SEWER UTILITY OPERATING FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 200,000	2.40%	\$ 200,000	2.37%
Sewer Rents	7,600,873	91.29	7,625,948	90.19
Miscellaneous Revenue Anticipated	473,703	5.69	556,702	6.58
Miscellaneous Revenue Not Anticipated	352	0.01	120	0.00
Other Credits to Income	50,979	0.61	72,929	0.86
	<u>8,325,907</u>	<u>100.00%</u>	<u>8,455,699</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Operating	1,992,458	45.59%	1,955,404	39.51 %
Capital Improvements	487,000	11.14	670,000	13.54
Debt Service	1,759,971	40.27	2,192,237	44.30
Def. Charges & Statutory Expenditures	131,000	3.00	131,000	2.65
	<u>4,370,249</u>	<u>100.00%</u>	<u>4,948,641</u>	<u>100.00%</u>
Excess Revenue	3,955,478		3,507,058	
Adjustment to Income Before Fund Balance Anticipated Surplus Appropriated to Current Fund Balance	<u>3,800,000</u>		<u>3,300,000</u>	
Statutory Excess in Revenue to Fund Balance	155,478		207,058	
Fund Balance, Beginning of Year	<u>607,820</u>		<u>600,762</u>	
	763,298		807,820	
Decreased by:				
Utilization by Sewer Operating Budget	<u>200,000</u>		<u>200,000</u>	
Fund Balance, End of Year	<u>\$ 563,298</u>		<u>\$ 607,820</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -  
AIRPORT UTILITY OPERATING FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 13,800	5.71%	\$ 13,800	5.80%
Lease Rents	221,273	91.61	217,716	91.51
Non-Budget Revenue	1,495	.62	1,386	0.58
Other Credits to Income	<u>5,000</u>	<u>2.06</u>	<u>5,000</u>	<u>2.10</u>
Total Income	<u>241,568</u>	<u>100.00%</u>	<u>237,903</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures	<u>5,000</u>	<u>100.00%</u>	<u>5,000</u>	<u>100.00%</u>
Total Expenditures	<u>5,000</u>	<u>100.00%</u>	<u>5,000</u>	<u>100.00%</u>
Excess in Revenue	236,568		226,034	
Adjustment to Income Before Fund Balance Anticipated Surplus Appropriated to Current Fund Balance	<u>215,000</u>		<u>215,000</u>	
Statutory Excess in Revenue to Fund Balance	21,568		17,903	
Fund Balance, Beginning of Year	<u>17,955</u>		<u>13,852</u>	
	39,523		31,755	
Decreased by:				
Utilized as Anticipated Revenue	<u>13,8000</u>		<u>13,800</u>	
Fund Balance, End of Year	<u>\$ 25,723</u>		<u>\$ 17,955</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$ 2.882</u>	<u>\$ 2.845</u>	<u>\$ 2.760</u>
<u>Appointment of Tax Rate</u>			
Municipal	1.025	1.006	.922
County	.349	.358	.336
Library	.044	.046	.043
Regional School	1.464	1.435	1.389
<u>Assessed Valuation</u>			
2019	<u>\$2,269,605,655</u>		
2018		<u>\$2,266,775,955</u>	
2017			<u>\$ 2,261,731,055</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>Cash Collections</u>	<u>Percentage of Collections</u>
2019	\$ 65,580,524	\$ 64,968,473	99.07%
2018	64,567,541	63,891,471	98.95%
2017	62,791,352	62,193,985	99.05%

**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>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total</u>	<u>Percentage of Collections</u>
2019	\$ 591,656	\$ 136,328	\$ 727,984	1.11%
2018	529,825	129,251	659,076	1.02%
2017	525,112	119,139	644,251	1.03%

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**Property Acquired by Tax Title Lien Liquidation**

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 2,193,200
2018	2,193,200
2017	2,193,200

**Comparison of Sewer Utility Levies and Collections**

<u>Year</u>	<u>Billing</u>	<u>Cash Collections (*)</u>	<u>Percentage of Collection</u>
2019	\$ 7,606,848	\$ 7,600,873	99.92%
2018	7,608,666	7,625,948	100.23%
2017	7,923,713	7,959,708	100.45%

\* Includes collection of prior year receivables

**Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2019	\$ 14,097,775	\$ 4,430,000
	2018	13,707,440	2,900,000
	2017	14,647,500	3,000,000
Sewer Utility Operating Fund	2019	\$ 563,298	\$ 200,000
	2018	607,820	200,000
	2017	600,762	200,000
Airport Utility Operating Fund	2019	\$ 25,723	\$ 13,000
	2018	17,955	13,800
	2017	13,852	13,800

**TOWN OF MORRISTOWN  
MORRIS COUNTY, NEW JERSEY**

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**PART III  
GOVERNMENT AUDITING STANDARDS  
AND  
SINGLE AUDIT SECTION  
YEAR ENDED DECEMBER 31, 2019**

**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**

**The Honorable Mayor and Members of  
the Town Council  
Town of Morristown  
County of Morris  
Morristown, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the regulatory basis financial statements of the various funds and account group of the Town of Morristown, Morris County, New Jersey (the "Town"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated July 8, 2020, 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 regulatory basis financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Cranford, New Jersey  
July 8, 2020

*David J. Gannon*

David J. Gannon, CPA  
Licensed Registered Municipal Accountant, No. 520

**Report on Compliance for Each Major Federal Program and Report  
on Internal Control over Compliance as Required by the Uniform Guidance**

**Independent Auditors' Report**

**The Honorable Mayor and Members of  
the Town Council  
Town of Morristown**  
County of Morris  
Morristown, New Jersey

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Morristown's, County of Morris, New Jersey (the "Town") compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on its major federal programs for the year ended December 31, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Those standards and requirements, the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2019.

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### **Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

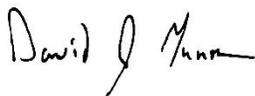
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

July 8, 2020  
Cranford, New Jersey



David J. Gannon, CPA  
Licensed Registered Municipal Accountant, No. 520

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2019

Schedule A

Federal Funding Department and Description	Grant Number	C.F.D.A. No.	Passed Through Entity Identifying Number	Passed Through To Sub Recipients	Award Amount	2019 Cash Received	12/31/19 Expenditures	Cumulative Expenditures
<u>US Department of Justice</u>								
Equitable Sharing	NJ0142400	16.922	Not applicable	Not applicable	\$ 1,605,569	\$ 138,959	\$ 3,100	\$ 1,600,212
Total US Department of Justice					<u>1,605,569</u>	<u>138,959</u>	<u>3,100</u>	<u>1,600,212</u>
<u>US Department of Transportation</u>								
<u>Airport Improvement Program:</u>								
2015 Runway 5-23 Rehabilitation FAA Fees 27-15	6070-100-XXX	20.106	Not applicable	Not applicable	4,347,000	89,223	89,602	1,372,939
2017 Runway 5-23 Obstruction Removal Phase II					1,036,697	12,619	59,094	59,094
2017 Runway 13-31 Environmental Removal					134,964		12,619	12,619
2018 Certain Capital Improvementd 7-18					225,000		168,075	168,075
2018 Certain Capital Improvement 32-18					1,874,776	1,654,644	1,602,255	1,602,255
2019 Runaway 5-23 Safety Area Phase III 36-19					7,464,338	1,320,931	1,320,931	1,320,931
Total Airport Improvement Program					<u>22,762,934</u>	<u>3,077,417</u>	<u>3,252,576</u>	<u>8,607,423</u>
Total U.S. Department of Transportation					<u>22,762,934</u>	<u>3,077,417</u>	<u>3,252,576</u>	<u>8,607,423</u>
TOTAL FEDERAL AWARDS					<u>\$ 24,368,503</u>	<u>\$ 3,216,376</u>	<u>\$ 3,255,676</u>	<u>\$ 10,632,635</u>

See Notes to Schedule of Expenditures of Federal Awards

**NOTES TO THE SCHEDULES OF EXPENDITURES  
OF FEDERAL AWARDS**

**TOWN OF MORRISTOWN  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS  
DECEMBER 31, 2019**

**NOTE 1 GENERAL**

The accompanying schedules of expenditures of federal awards present the activity of all federal awards programs of the Town of Morristown. The Town is defined in Note 1 to the financial statements. To the extent identified, the federal awards that passed through other governmental agencies is included on the schedules of expenditures of federal awards.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Town's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Town's financial statements.

**NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedules of expenditures of federal awards agree with the amounts reported in the related federal financial reports, where required.

**NOTE 5 INDIRECT COST RATE**

The Town has elected not to use the ten percent de minimis indirect cost rate as allowed by the Uniform Guidance.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

*Section I – Summary of Auditors’ Results*

**Financial Statements**

Type of auditors' report issued on financial statements Unmodified for Regulatory Basis

Internal control over financial reporting:

- 1) Material weakness(es) identified \_\_\_\_\_ Yes       X       No
- 2) Significant deficiency(ies) that are not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       None

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes       X       No

**Federal Awards Section**

Internal Control over major programs:

- 1) Material weakness(es) identified \_\_\_\_\_ Yes       X       No
- 2) Significant deficiency(ies) that are not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       None

Type of auditor’s report used on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance \_\_\_\_\_ Yes       X       No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	U.S. Department of Transportation Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B Programs       \$750,000      

Auditee qualified as low-risk auditee?       X       Yes \_\_\_\_\_ No

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

Section 2 – Financial Statements Findings

***NONE***

Section 3 – Major Federal Awards Findings and Questioned Costs

***NONE***

Section 4 – Prior Year Audit Findings and Questions Costs

***NONE***

**TOWN OF MORRISTOWN  
MORRIS COUNTY, NEW JERSEY**

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**PART IV**

**ROSTER OF OFFICIALS  
LETTER OF COMMENTS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2019**

**TOWN OF MORRISTOWN**  
**OFFICIALS IN OFFICE AND SURETY BONDS**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Timothy P. Dougherty	Mayor		
Toshiba Foster	Council Member – President		
Hiliari Davis	Council Member – Vice President		
David Silva	Council Member		
Robert Iannaccone	Council Member		
Alison Deeb	Council Member		
Stefan Arminton	Council Member		
Michael Elms	Council Member		
Jillian Barrick	Business Administrator		
Margot Kaye	Town Clerk		
Frank Mason	Chief Financial Officer and Treasurer	\$1,000,000	Garden State Municipal Joint Ins. Fund
Linda Winstead	Tax Collector	1,000,000	Garden State Municipal Joint Ins. Fund
Kevin Esposito	Tax Assessor		
Joseph Curlo	Superintendent of Public Works		
Joel Rutkowski	Public Works Supervisor		
John Dean	Wastewater Treatment Supervisor		
Vijayant Pawar	Director of Law/Municipal Attorney		
Joni Noble-McDonnell	Assistant Municipal Attorney		
Terry Webb	Public Defender		
Robert Rudy III	Municipal Prosecutor		
Anthony Devizio	Engineer		
Michael Noonan	Magistrate	1,000,000	Garden State Municipal Joint Ins. Fund
Gary F. Troxell	Magistrate	1,000,000	Garden State Municipal Joint Ins. Fund
Heather Prokop	Court Administrator	1,000,000	Garden State Municipal Joint Ins. Fund
Darnell Richardson	Acting Chief of Police		
Robert Flanagan	Fire Chief		
Al Chiefo	Director of Code Enforcement		
James Gonroski	Plumbing Sub-Code Official		
Fritz Reuss	Construction Official/Building Sub-code Official		
William O'Connor	Electrical Sub-code Official		
Tim Culver	Fire Sub-code Official		
Carlos Perez	Health Officer		
James Cambell	Zoning Officer		
Amanda Applegate	Recreation Manager		

All surety bonds were presented for examination and were properly executed.

## **TOWN OF MORRISTOWN GENERAL COMMENTS**

### **Contracts and Agreements Required to be Advertised for 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 therefore, 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 \$40,000, except by contract or agreement."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$40,000.

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

Our examination of expenditures did not reveal any payments for contracts or agreements in excess of \$40,000 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A: 11-6.

### **Pension Eligibility**

The State of New Jersey enacted legislation under Ch. 92 P.L. 2007 and codified under N.J.S.A. 43:15A-7.2 and 43:15c-2b(4). The law establishes that individuals performing professional services 1) under a contract awarded pursuant to N.J.S.A 40A:11.5 and 1 or 2 under an independent contract as determined in accordance with rules and policy of the IRS are eligible for membership in the State's Pension System - PERS. There were no "grandfathering" provisions under N.J.S.A. 43:15A-7.2. The municipalities were required to remove them from the pension roles.

It appears there are no individuals who are enrolled in PERS who do not meet the requirements under the statutes.

### **Collection of Interest of Delinquent Taxes, Assessments and Sewer Charges**

The statute provides the method for authorizing interest and the maximum rate to be charged for the non-payment of taxes or sewer fees on or before the date when they would become delinquent.

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

The Governing Body on January 8, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes and sewer accounts:

BE IT FURTHER RESOLVED that the interest charged on 2019 delinquencies on Tax and/or Sewer by the Tax Collector shall be 8% per annum on the first \$1,500 and 18% on any amount in excess of \$1,500 per NJ.S.A. 54:5-6.

BE IT FURTHER RESOLVED that no interest shall be charged if payment of any installment is made within TEN (10) calendar days of the due date. If the tenth day falls on a Saturday, Sunday or legal holiday, then the grace period shall be extended to the next business day.

BE IT FURTHER RESOLVED, that the Collector is authorized to transfer amounts of \$10.00 or less to surplus per NJSA 40A:5-17.1.

BE IT FURTHER RESOLVED that the fee charged for checks returned due to insufficient funds or any other reason shall be \$20.00 per 40:5-18. That fee shall be collected first when collecting the return check amount

BE IT FURTHER RESOLVED that the fee charged for providing a duplicate bill shall be \$5.00 per NJSA 54:4-64D

BE IT FURTHER RESOLVED that the fee charged for a Tax Search shall be \$10.00 per NJSA 54:5-14 and \$2.00 for a continuation within 3 years.

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution except as previously noted,

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held during 2019. Amounts not included in this sale were for amounts in litigation.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2019	3
2018	3
2017	3

**Cybersecurity**

As part of its overall risk management, the Town 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 utilization of specialized assessments, which would also include a periodic reporting mechanism to those charged with governance.

## **TOWN OF MORRISTOWN GENERAL COMMENTS**

### **Miscellaneous**

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

A statutory report on the operations of the Municipal Court was prepared as part of our examination and copies were filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Town Clerk.

A separate report on the operations of the Uniform Construction Code office was also prepared and filed with the New Jersey Division of Local Government Services.

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

In verifying expenditures, computations were tested on the basis of a statistical sampling of claims approved and paid. Not attempt was made in this connection to establish proof of prices or receipts of materials, these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions from employees' individual gross salaries for pensions, withholding tax, social security and other purposes was not verified as part of this examination. Remittance to authorized agencies of the amounts deducted were ascertained.

The totals of outstanding checks shown in the Cash Reconciliations appearing herein are in agreement with the records in the Office of the Town Treasurer as well as with independent verifications made part of this examination.

A copy of this report was filed with the State of New Jersey, Director of the Division of Local Government Services, Department of Community Affairs.

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

## **TOWN OF MORRISTOWN COMMENTS AND RECOMMENDATIONS**

### **I-9, Employment Eligibility Verification**

Finding: During the performance of our testing procedures, we noted some instances where the Town did not have Employment Eligibility Verification (I-9) forms on file for selected employees.

Recommendation: We recommend that the Town use Form I-9 to verify the identity and employment authorization of individuals hired for employment and retain these forms as part of the employee's personnel files.

### **Confirming Orders\***

Finding: During the performance of our testing procedures, we noted some instances where the invoice date was prior to the purchase order date.

Recommendation: We recommend that the Town follow their internal encumbrance process and have purchase orders approved prior to the procurement of goods or services.

**TOWN OF MORRISTOWN  
COMMENTS AND RECOMMENDATIONS**

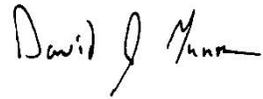
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A review was performed on all prior year recommendations and corrective action was taken on all, except those recommendations denoted with an asterisk (\*).

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

*PKF O'Connor Davies, LLP*

July 8, 2020  
Cranford, New Jersey



David J. Gannon, CPA  
Registered Municipal Accountant, No. 520