



**TOWN OF MORRISTOWN**  
**MORRIS COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEARS ENDED DECEMBER 31, 2018 and 2017**

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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, 2018 and 2017**



## 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, 2018 and 2017, 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, 2018 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 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.

***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 2018 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 August 29, 2019 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 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 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*

August 29, 2019  
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, 2018 AND 2017

A  
Sheet # 1

ASSETS	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>OPERATING FUND</b>			
Cash and Cash Equivalents - Treasurer	A-4	\$ 17,582,538	\$ 21,020,573
Cash - Change Funds	A-5	250	250
Prepaid School Taxes	A-19		2,279
		<u>17,582,788</u>	<u>21,023,102</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-7	529,825	525,112
Special Improvement District Taxes Receivable	A-8	2,986	33,469
Tax Tile Lien Receivable	A-9	129,251	119,139
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	74,314	74,328
Due from Southeast Morris County MUA	A-14	1,770,000	1,800,000
Due from Sewer Operating	A-16		2,764
Due from Trust Other	A-16		43,169
Due from General Capital	A-16	29,749	10,438
Due from Airport Capital Fund	A-16	21,000	60,358
Due from Grant Fund	A-16	37,774	43,319
		<u>5,216,045</u>	<u>4,908,242</u>
 Total Current Fund		 <u>22,798,833</u>	 <u>25,931,344</u>
<b>GRANT FUND</b>			
Cash	A-4	78,594	190,171
Grant Receivable	A-26	2,282,830	2,058,043
		<u>2,361,424</u>	<u>2,248,214</u>
 Total		 <u>\$ 25,160,257</u>	 <u>\$ 28,179,558</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARTIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2018 AND 2017

A  
Sheet # 2

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 2,752,401	\$ 2,006,659
Encumbrances Payable	A-3,A-13	410,149	509,206
Accounts Payable	A-17	9,118	14,709
Prepaid Taxes	A-20	559,797	3,084,970
Tax Overpayments	A-21	102,285	397,168
Special Improvement District Tax Prepaids	A-22	15,131	27,523
Special Improvement District Taxes Payable	A-23	8,441	273,576
County Taxes Payable	A-18	10,289	47,066
Due to State Senior Citizen and Veterans	A-6	6,636	10,512
Due to State - Other	A-25	1,100	4,213
		<u>3,875,349</u>	<u>6,375,602</u>
Reserve for Receivables and Other Assets		5,216,045	4,908,242
Fund Balance	A-1	<u>13,707,440</u>	<u>14,647,500</u>
 Total Current Fund		 <u>22,798,833</u>	 <u>25,931,344</u>
<b>GRANT FUND</b>			
Encumbrances Payable	A-28	5,150	5,150
Due to Current Fund	A-27	37,774	43,319
Reserve for Appropriated Grants	A-29	2,317,842	2,157,495
Reserve for Unappropriated Grants	A-15	659	42,250
		<u>2,361,424</u>	<u>2,248,214</u>
 Total Grant Fund		 <u>2,361,424</u>	 <u>2,248,214</u>
 Total		 <u><u>\$ 25,160,257</u></u>	 <u><u>\$ 28,179,558</u></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, 2018 AND 2017

A-1

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 3,000,000	\$ 3,475,000
Miscellaneous Revenue Anticipated	A-2	15,617,006	14,411,126
Delinquent Taxes	A-2	529,818	1,490,595
Current Taxes	A-2	63,891,471	62,193,985
Non-Budget Revenue	A-2	911,589	565,719
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	773,579	1,040,289
Cancellation of School Taxes	A-19	2,672	
Cancellation of Accounts Payable	A-17	14,709	
Cancellation of SID Reserve	A-23	217,955	
Interfund Returned	A-16	71,525	51,629
Total Revenues		<u>85,030,324</u>	<u>83,228,343</u>
Expenditures:			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	16,878,703	16,939,908
Other Expenses	A-3	17,493,328	15,611,444
Capital Improvements	A-3	254,000	1,092,000
Municipal Debt Service	A-3	3,560,671	3,433,852
Deferred Charges and Statutory Expenditures	A-3	3,940,628	3,588,114
Transferred to Regional School Board of Education	A-3	197,705	195,168
County Taxes	A-18	7,839,349	7,320,459
County Open Space Taxes	A-18	271,920	259,412
Due County - Added Taxes	A-18	10,289	47,066
Regional School Taxes	A-19	32,523,791	31,408,762
Total Expenditures		<u>82,970,384</u>	<u>79,896,185</u>
Statutory Excess in Fund Balance		2,059,940	3,332,158
Fund Balance, Beginning of Year	A	<u>14,647,500</u>	<u>14,790,342</u>
		16,707,440	18,122,500
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	<u>3,000,000</u>	<u>3,475,000</u>
Fund Balance, End of Year	A	<u>\$ 13,707,440</u>	<u>\$ 14,647,500</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

A-2  
Sheet # 1

	<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>
Fund Balance Anticipated	A-1	\$ 3,000,000		\$ 3,000,000	
Miscellaneous Revenues					
Licenses:					
Alcoholic Beverages	A-12	88,000		97,500	\$ 9,500
Other	A-12	125,000		134,821	9,821
Fees and Permits	A-12	577,537		595,547	18,010
Municipal Court - Fines and Costs	A-12	1,110,000		1,021,754	(88,246)
Interest and Costs on Taxes	A-12	201,000		115,227	(85,773)
Interest on Investments and Deposits	A-12	125,000		194,670	69,670
Annual Fee S.M.C.M.U.A.	A-14	30,000		30,000	
Swimming Pool Fees	A-12	128,000		117,649	(10,351)
Cablevision Fees	A-12	279,143		279,144	1
Energy Receipts Tax	A-12	2,868,599		2,868,599	
Uniform Construction Code Fees	A-12	1,242,500		1,050,112	(192,388)
Green Acres Program - Chap-159	A-26		\$ 500,000	500,000	
Assoc. of NJ Environmental Commission-Chap159	A-26		1,500	1,500	
NJDEP Clean Communities -Chap159	A-26		31,286	31,286	
Morris County Open Space - Chap159	A-26		1,350,000	1,350,000	
Unappropriated Recycling Tonnage	A-15	37,512		37,512	
Unappropriated Foote's Path Walking Path	A-15	100		100	
Unappropriated Alcohol Education Rehab	A-15	1,094		1,094	
Unappropriated Clean Communities	A-15	3,544		3,544	
FEMA Generator Grant	A-26	148,500		148,500	
NJ Healthy Comm Network- Pocahantas	A-26	8,500		8,500	
Washington Streetscape 3	A-26	245,000		245,000	
Utility Operating Surplus - Airport Utility	A-12	215,000		215,000	
Uniform Safety Act	A-12	58,000		67,016	
Rental of Property - Leases	A-12	119,000		154,050	35,050
Police Outside Duty - Administration Fees	A-12	76,000		100,000	24,000
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		648,439	13,439
Rent Leveling Registration	A-12	79,000		90,543	11,543
PILOT - CVS	A-12	119,000		56,665	(62,335)
PILOT - 55 Market Urban Renewal	A-12	120,000		193,579	73,579
PILOT - Housing Authority	A-12	80,000		78,178	(1,822)
PILOT - Urban Renewal - Mill Creek	A-12	688,273		683,172	(5,101)
Atlantic Health Settlement	A-12	517,656		517,656	
Anticipate Sale of Property	A-12	300,000		399,650	99,650
Anticipated Sewer Utility Operating Surplus	A-12	3,300,000		3,300,000	
 Total Miscellaneous Revenues	 A-1	 \$ 13,806,958	 \$ 1,882,786	 \$ 15,617,006	 \$ (81,753)

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

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	\$ 601,000		\$ 529,818	\$ (71,182)
		<u>17,407,958</u>	<u>\$ 1,882,786</u>	<u>19,146,824</u>	<u>(152,935)</u>
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>23,840,423</u>		<u>24,051,224</u>	<u>210,801</u>
Budget Revenues	A-3	<u>\$ 41,248,381</u>	<u>\$ 1,882,786</u>	43,198,049	<u>\$ 57,866</u>
Non-Budget Revenues	A-1			<u>884,738</u>	
				<u>\$ 44,082,787</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

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	\$ 63,891,471
Allocated to Regional School and County Taxes	A-18, A-19	<u>40,645,350</u>
		23,246,121
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>805,103</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u><u>\$ 24,051,224</u></u>
 <b>ANALYSIS OF REALIZED DELINQUENT TAXES</b>		
Delinquent Taxes	A-7	\$ 526,112
Tax Title Liens	A-9	3,706
	A-1	<u><u>\$ 529,818</u></u>
 <b>Miscellaneous Revenue Not Anticipated</b>		
Public Works - Recycling		\$ 13,207
Payment in Lieu of Taxes		427,342
Towing Administration Fees		6,725
EMS Recovery		697
Refunds and Reimbursements		298,518
FEMA Recovery		35,191
Other		<u>103,057</u>
	A-4	\$ 884,738
 Plus: Other Miscellaneous Items (Net)		 <u>26,851</u>
	A-1	<u><u>\$ 911,589</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

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	\$ 290,330	\$ 290,330	\$ 290,330			
Other Expenses	60,836	60,836	34,845	\$ 8,908	\$ 17,082	
Business Administrator						
Salaries and Wages	435,065	449,065	439,076	-	9,989	
Other Expenses	168,870	168,870	151,049	2,626	15,195	
Senior Citizens						
Salaries and Wages	43,938	34,938	25,687		9,251	
Other Expenses	29,796	29,796	16,032	1,346	12,417	
Vital Statistics						
Salaries and Wages	120,788	120,788	118,636		2,152	
Other Expenses	15,402	15,402	8,347	4,940	2,115	
Purchasing						
Other Expenses	307,835	333,835	330,332	1,223	2,281	
Department of Public Safety						
Police						
Salaries and Wages	6,570,197	6,570,197	6,481,309		88,888	
Other Expenses	234,990	234,990	163,734	30,953	40,302	
Fire						
Salaries and Wages	3,221,491	3,351,491	3,277,535		73,956	
Other Expenses	267,380	267,380	226,131	40,384	866	
Emergency Management Services						
Salaries and Wages	5,000	5,000	3,000		2,000	
Other Expenses	6,000	6,000	1,048	4,856	96	
Treasurer						
Salaries and Wages	319,398	319,398	317,379		2,019	
Other Expenses	132,225	132,225	47,049	1,077	84,099	
Tax Collector						
Salaries and Wages	222,257	222,257	204,273		17,984	
Other Expenses	20,619	20,619	19,003	580	1,036	
Tax Assessor						
Salaries and Wages	112,055	112,055	112,055			
Other Expenses	256,064	256,064	246,157		9,907	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

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	\$ 105,000	\$ 105,000	\$ 104,808		\$ 193	
Other Expenses	3,050	3,050	974	\$ 256	1,820	
Department of Public Health						
Salaries and Wages	175,443	145,443	143,843		1,600	
Other Expenses	20,200	20,200	13,871	3,972	2,356	
Rent Leveling						
Salaries and Wages	96,528	96,528	92,164		4,364	
Other Expenses	1,935	1,935	256		1,679	
Animal Control						
Salaries and Wages	65,951	65,951	65,000		951	
Other Expenses	30,075	30,075	20,419		9,656	
Property Maintenance						
Salaries and Wages	283,393	283,393	281,251		2,142	
Other Expenses	4,100	4,100	3,162	386	551	
Zoning						
Salaries and Wages	235,131	254,131	254,131			
Other Expenses	5,350	5,350	3,425		1,925	
Department of Public Works						
Public Works						
Salaries and Wages	2,331,924	2,363,924	2,350,114		13,810	
Other Expenses	1,751,735	1,751,735	1,229,414	242,394	279,927	
Recycling						
Salaries and Wages	74,570	76,270	76,270			
Other Expenses	1,404,162	1,404,162	1,343,658	10,811	49,693	
Bus Transportation						
Salaries and Wages	21,261	21,261	17,867		3,394	
Other Expenses	3,500	3,500			3,500	
Planning						
Salaries and Wages	12,000	12,000	10,497		1,503	
Other Expenses	235,000	235,000	233,075	651	1,274	
Engineering Services and Costs						
Salaries and Wages	244,366	244,366	225,653		18,713	
Other Expenses	11,475	11,475	5,595	4,997	882	
Recreation						
Salaries and Wages	199,454	189,454	132,316		57,138	
Other Expenses	56,438	56,438	30,913	4,269	21,256	
Burnham/Cauldwell Pools						
Salaries and Wages	161,294	161,294	132,034		29,260	
Other Expenses	87,513	87,513	46,116	2,631	38,766	
Non-Departmental Appropriations						
Legal						
Salaries and Wages	106,846	106,846	106,845		1	
Other Expenses	250,000	250,000	213,324	13,315	23,361	
Municipal Prosecutor						
Other Expenses	60,000	60,000	46,500	1	13,499	
Insurance						
Other Expenses	781,334	781,334	727,511		53,823	
Group Hospitalization						
Other Expenses	5,788,358	5,678,058	4,735,563	889	941,605	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

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			
Bethel AME Susquicentennial Celebration						
Other Expenses	1,500	1,500			1,500	
Shade Tree Commission						
Other Expenses	3,000	3,000	370	\$ 1,761	869	
Annual Community Family Day Festival						
Other Expenses	8,000	8,000	8,000			
Environmental Commission						
Other Expenses	2,500	2,500	1,789		711	
Historic Preservation Commission						
Other Expenses	2,000	2,000			2,000	
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
Salaries and Wages	737,437	737,437	708,021		29,416	
Other Expenses	253,800	253,800	236,138	755	16,907	
Municipal Court						
Salaries and Wages	539,886	539,886	508,539		31,347	
Other Expenses	61,980	61,980	53,816	3,690	4,474	
Public Defender						
Other Expenses	28,000	28,000	12,755	7,200	8,045	
Unclassified						
Reserve for Retirement and Sick Pay	100,000	100,000	75,000		25,000	
Reserve for Salary Increase	475,000	395,300	86,938		308,362	
<b>Total Operation Within "CAPS"</b>	<b>29,781,625</b>	<b>29,765,325</b>	<b>26,967,423</b>	<b>394,872</b>	<b>2,403,030</b>	
Contingent	5,000	5,000			5,000	
<b>Total Operation Including Contingent Within "CAPS"</b>	<b>29,786,625</b>	<b>29,770,325</b>	<b>26,967,423</b>	<b>394,872</b>	<b>2,408,030</b>	
Detail:						
Salaries and Wages	16,731,003	16,878,703	16,478,632	-	400,071	
Other Expenses	13,055,622	12,891,622	10,488,791	394,872	2,007,959	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

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:						
Emergency Authorization	\$ 9,720	\$ 9,720	\$ 9,720			
Social Security System (O.A.S.I.)	674,077	674,075	626,043		\$ 48,032	
Public Employees Retirement System	836,880	836,880	836,879		1	
Police and Firemen's Retirement System of N.J.	2,385,653	2,385,653	2,385,653			
Consolidated Police and Firemen's Pension Fund	14,500	14,500	11,906		2,594	
DCRP	19,800	19,800	13,786		6,014	
<b>Total Deferred Charges and Statutory Expenditures</b>	<b>3,940,630</b>	<b>3,940,628</b>	<b>3,883,987</b>		<b>56,641</b>	
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<b>33,727,255</b>	<b>33,710,953</b>	<b>30,851,410</b>	<b>\$ 394,872</b>	<b>2,464,671</b>	
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
Free Public Library						
Direct Aid						
Other Expenses	1,041,023	1,041,023	1,041,023			
Reserve for Tax Appeals	700,000	700,000	466,850		233,150	
Emergency Authorization Snow Storm						
Interlocal Municipal Services Agreement	142,507	142,507	106,878		35,629	
Morris County Radio Dispatch	376,140	376,140	376,140			
Public and Private Programs Offset by Revenues:						
Green Acres Program - Chap-159		500,000	500,000			
Association of NJ Environmental Commission-Chap159		1,500	1,500			
NJDEP Clean Communities -Chap159		31,286	31,286			
Morris County Open Space - Chap159		1,350,000	1,350,000			
FEMA Generator Grant	148,500	148,500	148,500			
NJ Healthy Comm Network- Pocahantas	8,500	8,500	8,500			
Washington Streetscape 3	245,000	245,000	245,000			
Unappropriated Recycling Tonnage	37,512	37,512	37,512			
Unappropriated Foote's path Walking Path	100	100	100			
Unappropriated Alcohol Education Rehab	1,094	1,094	1,094			
Unappropriated Clean Communities	3,544	3,544	3,544			
Grant Matching Funds	15,000	15,000			15,000	
<b>Total Operations - Excluded from "CAPS"</b>	<b>2,718,920</b>	<b>4,601,706</b>	<b>4,317,927</b>		<b>283,779</b>	
Detail:						
Salaries and Wages	16,731,003	16,878,703	16,478,632		400,071	
Other Expenses	15,774,542	17,493,328	14,806,718	<b>\$ 394,872</b>	<b>2,291,738</b>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

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	84,773	\$ 15,277	\$ 3,951	
<b>Total Capital Improvements</b>	<b>254,000</b>	<b>254,000</b>	<b>234,773</b>	<b>15,277</b>	<b>3,951</b>	
<b>MUNICIPAL DEBT SERVICE</b>						
Payment of Bond Principal	2,796,400	2,796,400	2,796,362			\$ 38
Payment on Bond Anticipation Notes and Capital Note	34,000	98,300	98,230			70
Interest on Bonds	550,000	550,000	549,161			839
Interest on Notes	165,000	117,000	116,918			82
<b>Total Municipal Debt Service</b>	<b>3,545,400</b>	<b>3,561,700</b>	<b>3,560,671</b>			<b>1,029</b>
<b>TRANSFERRED TO BOARD OF EDUCATION FOR USE OF LOCAL SCHOOLS (N.J.S.A. 40:48-17.1 &amp; 17.3)</b>						
	197,705	197,705	197,705			
<b>Total Appropriations Excluded from "CAPS"</b>	<b>6,716,025</b>	<b>8,615,111</b>	<b>8,311,075</b>	<b>15,277</b>	<b>287,730</b>	<b>1,029</b>
<b>Sub-Total General Appropriations</b>	<b>40,443,280</b>	<b>42,326,064</b>	<b>39,162,485</b>	<b>410,149</b>	<b>2,752,401</b>	<b>1,029</b>
<b>RESERVE FOR UNCOLLECTED TAXES</b>	<b>805,103</b>	<b>805,103</b>	<b>805,103</b>			
<b>Total General Appropriations</b>	<b>\$ 41,248,383</b>	<b>\$ 43,131,167</b>	<b>\$ 39,967,588</b>	<b>\$ 410,149</b>	<b>2,752,401</b>	<b>\$ 1,029</b>
	Ref.	A-2		A	A	
Budget	A-2		\$ 41,248,381			
Appropriation by 40A:4-87	A-26		1,882,786			
			<u>\$ 43,131,167</u>			
Cash Disbursed	A-4		\$ 36,539,514			
Reserve for Uncollected Taxes	A-2		805,103			
Transferred to Board of Education	A-19		197,705			
General Capital Interfund	A-16		98,230			
Due to Grant Fund	A-29		2,327,036			
			<u>\$ 39,967,588</u>			

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
TRUST FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2018 AND 2017

B

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	<u>\$ 60,307</u>	<u>\$ 48,596</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	<u>4,492,159</u>	<u>4,358,873</u>
<b>EQUITABLE SHARING FUND</b>			
Cash	B-1	<u>719</u>	<u>226,003</u>
<b>SELF INSURANCE FUND</b>			
Cash	B-1	<u>744,477</u>	<u>712,164</u>
		<u><u>\$ 5,297,662</u></u>	<u><u>\$ 5,345,636</u></u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey	B-2	<u>\$ 612</u>	<u>\$ 61</u>
Reserve for Animal Control Expenditures	B-3	<u>59,695</u>	<u>48,535</u>
		<u>60,307</u>	<u>48,596</u>
<b>OTHER TRUST FUND</b>			
Reserve for Police Forfeiture	B-5	40,228	37,936
Reserve for Unemployment Compensation	B-6	127,583	137,727
Reserve for Affordable Housing	B-7	1,386,058	1,476,526
Escrow Deposits Payable	B-8	1,182,657	1,187,561
Reserve for Recreation Programs	B-11	95,571	58,786
Miscellaneous Reserves and Deposits	B-12	1,392,376	1,177,445
Payroll Deductions Payable	B-13	267,686	239,723
Due to Current Fund	B-9		43,169
		<u>4,492,159</u>	<u>4,358,873</u>
<b>EQUITABLE SHARING FUND</b>			
Reserve for Equitable Sharing	B-4	<u>719</u>	<u>226,003</u>
		<u>719</u>	<u>226,003</u>
<b>SELF INSURANCE FUND</b>			
Reserve for Self Insurance Expenditures	B-10	<u>744,477</u>	<u>712,164</u>
		<u><u>\$ 5,297,662</u></u>	<u><u>\$ 5,345,636</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2018 AND 2017

C

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	C-2	\$ 413,759	\$ 3,836,129
Grants Receivable	C-4		125,884
Deferred Charges to Future Taxation:			
Funded	C-5	13,298,447	16,094,809
Unfunded	C-6	<u>12,921,889</u>	<u>9,396,819</u>
 Total Assets		 <u>\$ 26,634,095</u>	 <u>\$ 29,453,641</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$ 13,298,447	\$ 16,094,809
Bond Anticipation Notes	C-9	7,130,240	7,228,470
Capital Improvement Fund	C-14	294,092	334,792
Improvement Authorizations:			
Funded	C-7	456,180	550,842
Unfunded	C-7	3,949,990	2,803,220
Contracts Payable	C-8	868,628	1,564,195
Reserve for Refunding Bond Insurance Costs	C-11	9,680	9,680
Reserve for Pay Debt Service	C-12	506	506
Reserve for Future Improvements	C-13	47,596	77,596
Interfund - Current	C-15	29,749	10,438
Fund Balance	C-1	<u>548,987</u>	<u>779,093</u>
 Total Liabilities and Fund Balance		 <u>\$ 26,634,095</u>	 <u>\$ 29,453,641</u>
 Bonds and Notes Authorized But Not Issued	 C-16	 <u>\$ 5,793,300</u>	 <u>\$ 2,170,000</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

CHANGES IN FUND BALANCE  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

C-1

	<u>Ref.</u>		
Balance, December 31, 2017	C		\$ 779,093
Increased by:			
Premium on Bond Anticipation Note Sale	C-2		<u>45,778</u>
			824,871
Decreased by:			
Anticipated Revenue	C-2	\$ 150,000	
Cancellation of Grants	C-4	<u>125,884</u>	<u>275,884</u>
Balance, December 31, 2018	C		<u><u>\$ 548,987</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2018 AND 2017

D  
Sheet # 1

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash	D-5	\$ 1,138,042	\$ 992,426
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	<u>219,349</u>	<u>236,631</u>
Total Operating Fund		<u>1,357,391</u>	<u>1,229,057</u>
<b>CAPITAL FUND</b>			
Cash	D-5	2,511,118	2,332,573
Fixed Capital	D-7	71,243,354	68,786,889
Fixed Capital Authorized and Uncompleted	D-8	<u>10,415,000</u>	<u>12,201,465</u>
Total Capital Fund		<u>84,169,472</u>	<u>83,320,927</u>
		<u>\$ 85,526,863</u>	<u>\$ 84,549,984</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2018 AND 2017

D  
Sheet # 2

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-9	\$ 314,185	\$ 120,907
Encumbrances Payable	D-4, D-9	41,085	57,510
Prepaid Sewer Fees	D-14	83,655	79,440
Reserve for Salary Increases	unchanged	10,000	10,000
Due to Current Fund	D-5		2,764
Overpayments	D-11	7,450	7,502
Accrued Interest on Bonds and Notes	D-12	73,847	113,541
		<u>530,222</u>	<u>391,664</u>
Reserve for Receivables	D	219,349	236,631
Fund Balance	D-1	<u>607,820</u>	<u>600,762</u>
Total Operating Fund		<u>1,357,391</u>	<u>1,229,057</u>
CAPITAL FUND			
Serial Bonds	D-16	3,445,550	4,669,187
Bond Anticipation Notes	D-17	2,222,000	2,954,000
Improvements Authorizations			
Funded	D-21	1,276,654	1,058,590
Unfunded	D-21	638,428	663,314
Contracts Payable	D-18	301,655	197,082
Reserve for Sewer Connection Fees	D-15	856,302	990,363
Reserve for Amortization	D-19	72,217,825	70,250,723
Deferred Reserve for Amortization	D-20	2,855,298	2,196,763
Capital Improvement Fund	D-13	152,000	152,000
Fund Balance	D-2	<u>203,760</u>	<u>188,905</u>
Total Capital Fund		<u>84,169,472</u>	<u>83,320,927</u>
		<u>\$ 85,526,863</u>	<u>\$ 84,549,984</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, 2018 AND 2017

D-1

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-3	\$ 200,000	\$ 280,000
Sewer Rents	D-3	7,625,948	7,959,708
Miscellaneous Revenue Anticipated	D-3	556,702	589,397
Miscellaneous Revenue Not Anticipated	D-3	120	794
Other Credits to Income:			
Miscellaneous			26,289
Unexpended Balance of Appropriation Reserves	D-9	72,929	46,801
		<u>8,455,699</u>	<u>8,902,989</u>
<b>EXPENDITURES</b>			
Operating	D-4	1,955,404	1,955,878
Capital Improvements	D-4	670,000	670,000
Debt Service	D-4	2,192,237	2,579,442
Deferred Charges and Statutory Expenditures	D-4	131,000	131,726
Interfunds Returned			2,581
Total Expenditures		<u>4,948,641</u>	<u>5,339,627</u>
Excess Revenue		3,507,058	3,563,362
Adjustments to Income Before Fund Balance			
Anticipated Surplus Appropriated to Current Fund Budget	D-4	<u>3,300,000</u>	<u>3,300,000</u>
Statutory Excess to Fund Balance		207,058	263,362
Fund Balance, Beginning of Year	D	<u>600,762</u>	<u>617,400</u>
		807,820	880,762
Decreased by:			
Utilization by Sewer Operating Budget		<u>200,000</u>	<u>280,000</u>
Fund Balance, End of Year	D	<u>\$ 607,820</u>	<u>\$ 600,762</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, 2018

D-2

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 188,905
Increased by:		
Premium on Sale of Bond Anticipation Note	D-5	<u>14,855</u>
Balance, December 31, 2018	D	<u><u>\$ 203,760</u></u>

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

D-3

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>(Deficit) or Excess</u>
Surplus Anticipated	D-1	\$ 200,000	\$ 200,000	\$
Sewer User Fees	D-1, D-6	7,689,000	7,625,948	(63,052)
Miscellaneous				
Sale of SREC's	D-1, D-5	110,000	114,261	4,261
Interest	D-1, D-5	11,000	28,013	17,013
Late Fees	D-1, D-5	30,000	21,428	(8,572)
Sewer Connection Fees	D-1, D-5	<u>250,000</u>	<u>393,000</u>	<u>143,000</u>
	D-4	<u><u>\$ 8,290,000</u></u>	<u><u>\$ 8,382,650</u></u>	<u><u>\$ 92,650</u></u>
Cash Receipts	D-5		\$ 7,546,508	
Prepaid Revenue Realized	D-14		79,440	
	D-1, D-6		<u><u>\$ 7,625,948</u></u>	
Miscellaneous Revenue Not Anticipated	D-1, D-5		<u><u>\$ 120</u></u>	
Interest	D-5		\$ 13,760	
Capital Interest	D-5		<u>14,253</u>	
			<u><u>\$ 28,013</u></u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

D-4

	Appropriated		Expended		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>OPERATING</b>					
Salaries and Wage	\$ 775,652	\$ 725,652	\$ 662,523	\$ 63,129	
Other Expenses	637,257	687,257	654,696	32,561	
Other Sewer Expenses	542,495	542,495	324,000	218,495	
<b>Total Operating</b>	<b>1,955,404</b>	<b>1,955,404</b>	<b>1,641,219</b>	<b>314,185</b>	
<b>CAPITAL IMPROVEMENTS</b>					
Capital Improvement Fund	670,000	670,000	670,000		
<b>DEBT SERVICE</b>					
Payment of Bond Principal	1,223,640	1,223,640	1,223,637		\$ 3
Payment of Note Principal	732,956	732,956	732,000		956
Interest on Bonds	210,000	210,000	170,135		39,865
Interest on Notes	67,000	67,000	66,465		535
<b>Total Debt Service</b>	<b>2,233,596</b>	<b>2,233,596</b>	<b>2,192,237</b>		<b>41,359</b>
<b>STATUTORY EXPENDITURES</b>					
Social Security System (O.A.S.I)	131,000	131,000	131,000		
<b>Surplus (General Budget)</b>	<b>3,300,000</b>	<b>3,300,000</b>	<b>3,300,000</b>		
	<b>\$ 8,290,000</b>	<b>\$ 8,290,000</b>	<b>\$ 7,934,456</b>	<b>\$ 314,185</b>	<b>\$ 41,359</b>
	<u>Ref.</u>	<u>D-3</u>		<u>D</u>	<u>D-1</u>
Cash Disbursements	D-5		\$ 7,656,771		
Encumbrances Payable	D-9		41,085		
Accrued Interest on Bonds and Notes	D-12		236,600		
			<u>\$ 7,934,456</u>		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

E

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash - Treasurer	E-5	\$ 22,905	\$ 18,802
Cash - Petty Cash Fund	E	<u>50</u>	<u>50</u>
Total Operating Fund		<u>22,955</u>	<u>18,852</u>
<b>CAPITAL FUND</b>			
Cash	E-5	944	88,620
Fixed Capital	E-7	62,626,686	62,626,686
Fixed Capital Authorized and Uncompleted	E-8	12,299,653	9,987,569
Due from FAA	E-9	2,790,705	2,229,133
Due from State of New Jersey	E-10	404,836	713,558
Due to/from Lessee	E-11	<u>37,559</u>	<u>          </u>
Total Capital Fund		<u>78,160,383</u>	<u>75,645,566</u>
Total Assets		<u>\$ 78,183,338</u>	<u>\$ 75,664,418</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>17,955</u>	<u>13,852</u>
Total Operating Fund		<u>22,955</u>	<u>18,852</u>
<b>CAPITAL FUND</b>			
Improvement Authorizations:			
Funded	E-13	319,663	662,206
Contracts Payable	E-16	2,786,653	1,974,581
Due to Current	E-18	21,000	60,358
Due to Lessee	E-11		227,438
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	12,299,653	9,987,569
Fund Balance	E-2	<u>211</u>	<u>211</u>
Total Capital Fund		<u>78,160,383</u>	<u>75,645,566</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 78,183,338</u>	<u>\$ 75,664,418</u>

There were no bonds and notes authorized but not issued on December 31, 2018 and 2017.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE  
OPERATING FUND  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

E-1

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized			
Fund Balance Utilized	E-3	\$ 13,800	\$ 15,000
Lease Rentals	E-3	217,716	210,002
Non-Budget Revenue	E-3	1,386	1,032
Other Credits to Income:			
Unexpended Balance of Appropriation	E-12	5,000	5,000
 Total Revenues		<u>237,903</u>	<u>231,034</u>
 Expenditures			
Budget Appropriations			
Surplus Anticipated by Current Fund	E-4	215,000	215,000
Operating	E-4	5,000	5,000
 Total Expenditures		<u>220,000</u>	<u>220,000</u>
 Statutory Excess to Fund Balance		17,903	11,034
 Fund Balance, Beginning of Year	E	<u>13,852</u>	<u>17,818</u>
		31,755	28,852
Utilized as Anticipated Revenue	E-1, E-3	<u>13,800</u>	<u>15,000</u>
 Fund Balance, End of Year	E	<u>\$ 17,955</u>	<u>\$ 13,852</u>

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE  
AIRPORT UTILITY CAPITAL FUND  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

E-2

	<u>Ref.</u>	
Balance, December 31, 2018 and 2017	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, 2018

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	206,200	217,716	\$ 11,516
	E-4	<u>\$ 220,000</u>	<u>\$ 231,516</u>	<u>\$ 11,516</u>
Non-Budget Revenues:				
Interest Due from Capital (Net)	E-20		\$ 322	
Interest on Investments	E-5		1,064	
	E-1		<u>\$ 1,386</u>	

STATEMENT OF EXPENDITURES  
AIRPORT UTILITY OPERATING FUND  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

E-4

	<u>Appropriation</u>		<u>Expended</u>		<u>Canceled</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	215,000	215,000	\$ 215,000		
	<u>\$ 220,000</u>	<u>\$ 220,000</u>	<u>\$ 215,000</u>	<u>\$ 5,000</u>	<u>\$ -</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, 2018 AND 2017

E

	<u>2018</u>	<u>2017</u>
Land and Land Improvements	\$ 91,544,815	\$ 89,382,386
Building and Building Improvements	18,954,658	19,003,824
Construction in Progress	633,020	252,751
Machinery and Equipment	<u>11,980,182</u>	<u>11,488,706</u>
	<u>\$ 123,112,675</u>	<u>\$ 120,127,667</u>
Investment in Fixed Assets	<u>\$ 123,112,675</u>	<u>\$ 120,127,667</u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 and 2017

### 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, 2018 and 2017

### 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, 2018 and 2017

#### 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, 2018 and 2017

### 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 2018.

**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, 2018 and 2017

### 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, 2018 and 2017

### 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.

#### **Recent Pronouncements**

The GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions in June 2015. This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2018. Management has implemented this Statement in the 2018 financial statements.

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 and 2017

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

**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, 2018 and 2017 the Town's bank balances were exposed to custodial credit risk.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2018 and 2017. At December 31, 2018 and 2017, the book value of the Town's deposits were \$27,045,561 and \$31,744,128, respectively.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

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, 2018</u>	<u>December 31, 2017</u>
Insured	\$ 500,000	\$ 500,000
Uninsured and Collateralized	<u>26,852,509</u>	<u>32,653,780</u>
	<u>\$ 27,352,509</u>	<u>\$ 33,153,780</u>

\$274,567 and \$244,925 was held in the Town agency account and are not covered by GUDPA at December 31, 2018 and 2017, respectively.

**Investments**

The Town is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:515.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Town or bonds or other obligations of the School Districts which are a part of the Town or School Districts located within the Town, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e).

As of December 31, 2018 and 2017, 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, 2018 and 2017**

**3. MUNICIPAL DEBT (continued)**

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

	<u>Year 2018</u>	<u>Year 2017</u>
<u>Issued</u>		
General:		
Bonds and Notes	\$ 20,428,487	\$ 23,323,279
Sewer Utility		
Bonds and Notes	<u>5,667,550</u>	<u>7,623,187</u>
Net Debt Issued	26,096,037	30,946,466
 <u>Authorized but Not Issued</u>		
General:		
Bonds and Notes	5,793,300	2,170,000
Sewer Utility:		
Bonds and Notes	<u>917,681</u>	<u>917,681</u>
	6,710,981	3,087,681
 Net Bonds and Notes Issued and Authorized but Not Issued		
	<u>\$ 32,807,018</u>	<u>\$ 34,034,147</u>

The statement of debt condition that follows is extracted from the Town's Annual Debt Statement and indicates a statutory net debt of 0.873% at December 31, 2018.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 26,221,987		\$ 26,221,987
School Debt	242,708	\$ 242,708	
Utility Debt	6,585,231	6,585,231	
Parking Authority Debt	29,725,000	29,725,000	
Total	<u>\$ 62,774,926</u>	<u>\$ 36,552,939</u>	<u>\$ 26,221,987</u>

The Town's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2018 as follows:

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 105,099,779
Net Debt	<u>(26,221,987)</u>
Remaining Statutory Borrowing Power	<u>\$ 78,877,792</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**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		\$ 8,382,649
Deductions:		
Operating and Maintenance Costs	\$ 2,086,404	
Debt Service per Utility Operating Fund	2,192,237	
		4,278,641
Excess in Revenue		\$ 4,104,008

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, 2018 and 2017 are as follows:

	2018	2017
<b><u>General Obligation Bonds</u></b>		
\$7,961,260 (\$18,450,000 combined issue), 2005 Refunding Bonds, due in an annual installments of \$874,447 in August 2019, interest at 6.50%	\$ 874,447	\$ 1,676,549
\$1,150,000, 2009 Refunding Bonds, due in annual installments of \$220,000 to \$235,000 through March 2023, interest at 4.00% to 5.00%	1,150,000	1,150,000
\$1,150,630, 2011 Refunding Bonds, final annual installment of \$239,260 on March 2018, interest at 3.00%		239,260
\$10,924,000, 2016 General Improvement Bonds; due in annual installments of \$555,000 to \$819,000 through 2032, interest at 2.00% to 4.00%	9,999,000	10,514,000
\$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	2,515,000
	\$ 13,298,447	\$ 16,094,809

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**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, 2018 and 2017 are as follows:

	2018	2017
<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	\$ 988,447
\$2,475,000, 2009 Refunding Bonds, due in annual installments of \$490,000 to \$505,000 through March 2023, interest at 4.00% to 5.00%	2,475,000	2,475,000
\$3,234,370, 2011A Refunding Bonds, final annual installment of \$515,740 on March 2018, interest at 3.00%		515,740
\$820,000, 2011B Refunding Bonds, due in annual installments of \$65,000 to \$80,000 through March 2022, interest at 3.00% to 3.25%	300,000	380,000
\$625,000, 2014 Refunding Bonds, due in an annual installment of \$155,000 in March 2019, interest at 4.00%	155,000	310,000
	\$ 3,445,550	\$ 4,669,187

The Town's principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

Year	General		Sewer Utility		Total
	Principal	Interest	Principal	Interest	Interest
2019	\$ 2,939,447	\$ 423,084	\$ 1,255,550	\$ 152,655	\$ 4,781,014
2020	850,000	284,933	575,000	89,925	1,817,642
2021	870,000	252,245	570,000	64,659	1,781,702
2022	880,000	221,345	555,000	37,806	259,151
2023	885,000	190,370	490,000	12,250	
2024-2028	3,620,000	624,125			624,125
2029-2033	3,254,000	262,428			262,428
	\$ 13,298,447	\$ 2,258,530	\$ 3,445,550	\$ 357,295	\$ 9,526,062

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**3. MUNICIPAL DEBT (continued)**

**Changes in Long-Term Municipal Debt**

The Town's long-term capital debt activity for 2018 and 2017 is as follows:

	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 Capital Fund Bonds Payable	\$ 4,669,187		\$ 1,223,637	\$ 3,445,550	\$ 1,255,550
	Balance December 31, 2016	Increases	Reductions	Balance December 31, 2017	Due Within One Year
General Capital Fund Bonds Payable	\$ 18,741,300		\$ 2,646,491	\$ 16,094,809	\$ 2,796,362
Sewer Utility Capital Fund Bond Payable	\$ 5,882,695		\$ 1,203,379	\$ 4,669,187	\$ 1,213,508

**Short-Term Debt**

The Town's short-term capital debt activity for 2018 and 2017 is as follows:

	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
	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017
Bond Anticipation Notes				
General Capital Fund	\$ 6,292,470	\$ 1,000,000	\$ 64,000	\$ 7,228,470
Sewer Utility Capital Fund	4,005,000		963,261	2,954,000
Total	\$ 18,731,787	\$ 1,000,000	\$ 1,027,261	\$ 10,182,470

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**4. FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2018 and 2017:

**General Fixed Assets**

	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>
	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2017</u>
Land and Land Improvements	\$ 89,365,044	\$ 17,342		\$ 89,382,386
Buildings and Building Improvements	18,550,096	453,728		19,003,824
Construction in Progress		252,751		252,751
Machinery and Equipment	11,019,706	469,000		11,488,706
	<u>\$ 118,934,846</u>	<u>\$ 1,192,821</u>		<u>\$ 120,127,667</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**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, 2018 and 2017:

<b>Sewer Utility Fund</b>	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	\$ 2,456,465.00		\$ 71,141,972
Vehicle and Equipment	<u>101,382</u>			<u>101,382</u>
	<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>
	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2017</u>
Fixed Capital				
Treatment Facility, Sewerage System and System Improvements	\$ 68,685,507			\$ 68,685,507
Vehicle and Equipment	<u>101,382</u>			<u>101,382</u>
	<u>\$ 68,786,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,786,889</u>
Fixed Capital Authorized and Uncompleted - Sewer Improvement	<u>\$ 11,531,465</u>	<u>\$ 670,000</u>	<u>\$ -</u>	<u>\$ 12,201,465</u>
	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2018</u>
<b>Airport Utility Fund</b>				
Fixed Capital				
Airport Facilities and Improvements	\$ 61,598,972			\$ 61,598,972
Vehicle and Equipment	<u>1,027,714</u>			<u>1,027,714</u>
	<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>\$ 12,299,653</u>
	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2017</u>
<b>Airport Utility Fund</b>				
Fixed Capital				
Airport Facilities and Improvements	\$ 61,598,972			\$ 61,598,972
Vehicle and Equipment	<u>1,027,714</u>			<u>1,027,714</u>
	<u>\$ 62,626,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,626,686</u>
Fixed Capital Authorized and Uncompleted - Airport Facilities and Improvements	<u>\$ 8,463,223</u>	<u>\$ 1,578,346</u>	<u>\$ 54,000.00</u>	<u>\$ 9,987,569</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

As of December 31, 2018 and 2017, interfund receivables and payables that resulted from various interfund transactions are as follows:

	2018		2017	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Current Fund:				
Regular	\$ 88,523		\$ 160,048	
Grant		\$ 37,774		\$ 43,319
Trust Fund:				
Animal Control Fund				
Other Trust		29,749		43,169
General Capital Fund				10,438
Sewer Utility:				
Sewer Operating				2,764
Sewer Capital				
Airport Utility:				
Airport Capital		21,000		60,358
	\$ 88,523	\$ 88,523	\$ 160,048	\$ 160,048

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.

**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:

	2018		2017	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 13,707,440	\$ 2,900,000	\$ 14,647,500	\$ 3,000,000
Sewer Utility Operating Fund				
Cash Surplus	\$ 607,819	\$ 200,000	\$ 600,762	\$ 200,000
Airport Utility Operating Fund				
Cash Surplus	\$ 17,955	\$ 13,800	\$ 13,852	\$ 13,800

The above fund balance amounts utilized represents the surplus anticipated in the 2018, as adopted, and 2018 municipal budgets.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**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 \$3,349,602 and \$3,649,216 at December 31, 2018 and 2017 respectively. This estimate by management is unaudited.

As of December 31, 2018 and 2017, the Town has reserved \$285,201 and \$157,860, respectively to fund compensated absences in accordance with N.J.S.A. 40A:4-39.

**8. EMPLOYEE RETIREMENT SYSTEMS**

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	<u>254,780</u>	<u>254,685</u>
Total	<u><u>430,273</u></u>	<u><u>425,459</u></u>

Contributing Employers – 1,703

*Significant Legislation* – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012.

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.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

*Public Employee Retirement System (continued)*

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

For the year ended December 31, 2018 and 2017 the Town's total payroll for all employees was \$19,075,689 and \$16,960,771. Total PERS covered payroll was \$6,330,428 and \$6,224,937. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Town to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding or noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

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.

Town payments to PERS for the years ending December 31, 2018 and 2017 consisted of the following:

	2018	2017
Total Regular Billing	\$ 888,990	\$ 760,446

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. 43:15. 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, 2018 and 2017**

**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, 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 0.08937475%, which was an increase of 0.00377613% from its proportion measured as of June 30, 2018.

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 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 \$25,351,859 or 0.0855986297%.

At December 31, 2018 the Town deferred outflows of resources and deferred inflows of resources related to PERS from the following sources, if GASB #68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$ 335,586	\$ 90,738
Changes of assumptions	2,899,767	5,626,726
Net difference between projected and actual investment earnings on pension plan investments		165,065
Changes in proportion	1,041,286	35,131
Town contributions subsequent to the measurement date	888,990	
	<u>\$ 5,165,629</u>	<u>\$ 5,917,660</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

\$888,990 shown as deferred outflows of resources related to PERS resulting from Town contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS should have been recognized in pension expense as follows, if GASB #68 was recognized:

Year ended December 31,	Amount
2019	\$ 281,672
2020	99,196
2021	(843,465)
2022	(926,996)
2023	(251,428)
Total	\$ (1,641,021)

*Actuarial Assumptions-* The total pension liability in the June 30, 2018 and June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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 RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on RP-2000 Disabled mortality table (set back 3 years for males and set forward 1 year for females).

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

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%
	<u>100.00%</u>	

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2017 was 5.00% and as of June 30, 2018 was 5.66%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the 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	\$ 22,126,757	\$ 17,597,443	\$ 13,797,638

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2018 and 2017 were \$27,472,374,536 and \$28,464,239,518, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2018 and 2017 was \$22,742,071,972 and \$21,573,965,463, respectively.

*Additional information*

Collective Local Group balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	\$	4,684,852,302
Collective deferred inflows of resources		7,646,736,226
Collective net pension liability		19,689,501,539
 Town's Proportion		 0.0893747500%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 was \$1,099,708,157 and \$1,694,305,613, respectively. The average of the expected remaining service lives of all plan members if 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014, respectively.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

**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, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, respectively.

**Police and Firemen's Retirement System**

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, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	41,517	40,789
Total	85,311	83,847

Contributing Employers – 585

*Significant Legislation* – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012.

For the year ended June 30, 2018, 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 the 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.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

In accordance with Chapter 98, P.L. 2017, PFRS receives 1.2% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from the lottery proceeds are assumed to be contributed to the System on a monthly basis.

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

For the years ended December 31, 2018 and 2017 the Town's total payroll for all employees were \$19,075,689 and \$16,960,771, respectively. Total PFRS covered payroll was \$8,599,800 and \$8,738,509. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Town 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, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Total Regular Billing	\$ 2,588,246	\$ 1,897,828

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, 2018 and 2017**

**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, 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% which was an increase of 0.090965548% from its proportion, measured as of June 30, 2017. Then pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018.

At June 30, 2017, the PFRS reported a net pension liability of \$17,167,260,260 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 \$39,466,760, or 0.2556457416%.

At December 31, 2018 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 <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expended and actual experience	\$ 364,462	\$ 148,248
Changes of assumptions	3,075,008	9,181,072
Net difference between projected and actual investment earnings on pension plan investments		195,990
Changes in proportion	4,161,046	998,566
Town contributions subsequent to the measurement date	2,588,246	
	\$ 10,188,762	\$ 10,523,876

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

\$2,588,246 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
2019	\$ 1,169,729
2020	(393,803)
2021	(2,101,171)
2022	(1,178,170)
2023	(419,945)
Total	\$ (2,923,360)

*Actuarial Assumptions-* The total pension liability in the June 30, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

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

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2018 and 2017 are summarized in the following table:

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%
	<u>100.00%</u>	

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2017 was 6.14% and as of June 30, 2018 was 6.51%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*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:

	At 1% Decrease (5.14%)	At Current Discount Rate (6.14%)	At 1% Increase (7.14%)
PFRS	\$ 47,945,974	\$ 35,823,997	\$ 25,825,574

*Plan Fiduciary Net Position* – The plan fiduciary net position for PFRS at June 30, 2018 and 2017 was \$27,098,556,100 and \$25,847,718,399, respectively.

*Additional information*

Collective Local Group balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	\$ 1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability	15,369,699,278
Town's Proportion	0.250.2647422964%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 was \$1,270,762,352 and \$1,624,455,951, respectively. The average of the expected remaining service lives of all plan members if 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014, respectively.

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 and 2017

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

##### 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, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, 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*

Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Town as of June 30, 2018 and 2017 for police and fire is 0.2647422964% and 0.25564574165%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2018 and 2017 was \$288,191 and \$221,049, respectively. The state's proportionate share of net pension liability attributable to the Town as of June 30, 2018 and 2017 was \$4,866,098 and \$4,420,610, respectively.

##### Defined Contribution Retirement Plan

DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. Prudential is acting on behalf of the NJ Division of Pensions and Benefits as the record keeper and investment funds manager. Chapter 1, P.L. 2010 increased the minimum annual salary required for eligibility in the DCRP. An employee must earn an annual salary of at least \$5,000 to be eligible or to continue participation. The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

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

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 and 2017

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

and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2018 and 2017, the membership in the DCRP, based on the information within the Division's database, was 57,893 and 56,044, respectively.

*Contribution Requirement and Benefit Provisions* - State and local government employers contribute 3% of the employee's 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.

#### **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 7.20% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

#### 9. HEALTH BENEFITS

P.L. 2011 Ch. 78, Section 39, established guidelines for implementing employee contributions to the cost of their health insurance coverage.

The benefit cost of coverage is the monthly premiums charged for eligible employees. For State Health Benefit Plan ("SHBP") employers, the cost of coverage is the cost of medical and prescription coverage. For non-SHBP employers, the law requires that the cost of coverage includes all health care benefits; medical, prescription, dental, vision etc.

The base salary of the employees determines the percent of premium cost that is contributed.

The contribution is phased in at 25% per year:

- a) For employees hired on June 28, 2011 and not subject to Collective Negotiations Agreement ("CNA") that is in effect, contributions are effective upon date of hire.
- b) When a CNA that was in effect on June 28, 2011 expires or is in almost anyway modified;

Full contribution (Year 4) takes effect immediately for employees hired after June 28, 2011, who are not covered by a CNA or would be covered by a CNA that has expired.

When contributions begin, if the 1.5% of base salary calculation under Ch. 2 is greater than the standard contribution, that amount is paid until the new contribution percentage is greater.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**10. 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. For the years 2018, 2017 and 2016, the Town paid \$2,858,730, \$2,531,855, and \$2,426,485, respectively, for post-retirement health coverage premiums for eligible retirees and their dependents.

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 \$58,027,047 was measured as of December 31, 2018, 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 imputes* - The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Healthcare cost trend rate	3.00%
Retirees' share of benefit -related costs	Subject to the requirements of Chapter 78

The discount rate was based on the Bond Buyer 20-Bond Go Index.

The actuarial assumptions used in the December 31, 2018 valuation were based in the results of an actuarial experience study for the period January 1, 2018 - December 31, 2018.

Changes in Total OPEB Liability	Total OPEB Liability
Balance at 12/31/2017	\$ 52,772,866
Changes for the year:	
Net Changes	5,256,183
Balance at 12/31/2018	<u>\$ 58,029,049</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the Town recognized OPEB expense of \$3,413,473.

**State of New Jersey's OPEB Plan**

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

*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, 2017	June 30, 2018
Total OPEB Liability	\$ 20,629,044,656	\$ 15,981,103,227
Plan Fiduciary Net Position	213,255,917	314,485,086
Net OPEB Liability	\$ 20,415,788,739	\$ 15,666,618,141
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 1.03%	 1.97%

*Actuarial Assumptions and Other Inputs* - The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. These actuarial valuation used the following actuarial assumptions, applied to all periods (2017 and 2018) in the measurement:

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

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

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

Certain actuarial assumptions used in the July 1, 2016 and July 1, 2017 valuations were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees'

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Healthcare Trend 2018 Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.00% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*Discount Rate* - The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate* - The following presents the collective net OPEB liability of the participating employers as of June 30, 2018 and 2017, 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 - 2017	\$ 24,081,031,440	\$ 20,415,788,739	\$ 17,507,480,418
Total Net OPEB Liability - 2018	18,381,085,096	15,666,618,141	13,498,373,388

*Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the net OPEB liability as of June 30, 2018 and 2017, 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:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability - 2017	\$ 16,966,116,709	\$ 20,415,788,739	\$ 24,907,661,428
Total Net OPEB Liability - 2018	13,068,471,450	15,666,618,141	19,029,006,023

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

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

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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

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 \$18,805,952 (86 members) and \$27,802,801 (89 members) at June 30, 2018 and 2017, respectively. These allocated liabilities represent 0.302646% and 0.319741% of the State's Total Non-employer OPEB Liability for June 30, 2018 and 2017, respectively. The OPEB expense attributed to the Town was \$569,278 and \$1,989,738 at June 30, 2018 and 2017, respectively.

**11. 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.

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

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**11. RISK MANAGEMENT (continued)**

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, 2018. 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, 2018 and 2017, the Town has \$712,164 and \$699,113, 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:

Year Ended 31-Dec	Town Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2018	None	None	\$ 11,289	\$ 127,583
2017	None	None	22,297	137,727
2016	None	None	51,950	160,024

**12. 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, 2018. 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

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 and 2017

#### 12. CONTINGENT LIABILITIES (continued)

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%.

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, 2018, the outstanding debt covered by the Town Replenishment Agreement was \$29,725,000. As of March 31, 2018, 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.

#### 13. FEDERAL ARBITRAGE REGULATIONS

The Town is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on an 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.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**14. PRIOR-YEAR DEFEASANCE OF DEBT**

During the 2017, the Town issued \$14,929,000 in serial bonds with interest rates ranging from 2.0% to 4.0%, depending on maturity. The proceeds were used to advance refund \$4,968,261 of outstanding Sewer Utility Bond Anticipation Note bearing interest rates of 1% and 10,924,000 of outstanding General Bond Anticipation Note bearing interest rates of .38%. The net proceeds of \$14,929,000 (including \$579,809.20 of issuance premium and after \$176,654.30 in underwriting and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, a portion of the bonds anticipation notes are considered defeased and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the net carrying amount by of the old debt by \$963,261.

**15. 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, 2018, 60 years are remaining on the transfer agreement and the remaining amount due from the transfer agreement is \$1,770,000.

**16. CAPITAL LEASE AGREEMENT**

The Town entered into agreements for the leasing of rear-mounted pumper apparatus for the Fire Department, totaling \$452,250, under capital leases. The capital lease agreements are for terms of ten years payable in advance.

The Town's capital lease activity for 2018 and 2017 was as follows:

	2018	2017
Balance, January 1	\$ -	\$ 28,813
Reductions	-	28,813
Balance, December 31	\$ -	-
Due Within One Year	\$ -	\$ -

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**17. 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	193,579	209,250	15,671
Payment in Lieu of Taxes - CVS	September 14, 2015	August 31, 2045	56,664	82,588	25,924
Total			<u>\$ 933,414</u>	<u>\$ 1,732,924</u>	<u>\$ 1,065,424</u>

**18. SUBSEQUENT EVENTS**

The Town has evaluated subsequent events occurring after December 31, 2018 through August 29, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that the following events require disclosure.

On May 2, 2019, the Town sold \$12,000,000 of General Improvement Bonds to Morgan Stanley at interest rates varying between 2.00% and 5.00% and maturing in 2033.

On May 14, 2019, the Town adopted a bond ordinance for various capital improvements appropriating \$2,797,000 and authorizing \$2,657,150 in bonds and notes.

On June 6, 2019, the Town issued a bond anticipation note for the Sewer Utility amounting to \$1,922,000 maturing on June 5, 2020 at any interest rate of 2.50%.

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

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**PART II**

**SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2018**

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF CURRENT CASH AND INVESTMENTS - TREASURER  
YEAR ENDED DECEMBER 31, 2018

A-4

	<u>Ref.</u>		<u>Current Fund</u>		<u>Grant Fund</u>
Balance, December 31, 2017	A		\$ 21,020,573		\$ 190,171
Increased by Receipts:					
Non-Budget Revenue	A-2	\$ 884,738			
Petty Cash Fund	A-5	500			
NJ Senior Citizens' and Veterans' Deductions	A-6	32,260			
Taxes Receivable	A-7	61,295,477			
Revenue Accounts Receivable	A-12	13,220,320			
Due from Southeast Morris MUA	A-14	30,000			
Tax Title Liens	A-9	3,706			
Prepaid Taxes	A-20	559,797			
SID Collections	A-8	589,366			
SID Prepays	A-22	15,460			
Due to State of NJ	A-25	3,442			
Interfunds	A-16	151,200			
Due to Current Fund	A-27		\$ 1,414		
Unappropriated Grant	A-15		659		
Grant Receivables	A-26		2,059,999		
			76,786,266		2,062,072
			97,806,839		2,252,243
Decreased by Disbursements:					
2018 Budget Appropriations	A-3	36,539,514			
2017 Appropriations Reserves	A-13	1,733,168			
Petty Cash	A-5	500			
Regional School Taxes Payable	A-19	32,716,545			
County Tax Payable	A-18	8,158,335			
Tax Appeals and Overpayments	A-21	294,883			
General Capital Interfund	A-16	138,255			
Due to State of NJ	A-25	6,555			
Special Improvement District Taxes Payable	A-23	636,546			
Appropriated Reserves	A-29		2,166,689		
Interfund to Current	A-27		6,959		
			80,224,301		2,173,648
Balance, December 31, 2018	A		\$ 17,582,538		\$ 78,594

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF CHANGE FUNDS  
YEAR ENDED DECEMBER 31, 2018

A-5

Balance, December 31, 2017	A	\$ 250
Increased by:		
Cash Receipts	A-4	500
		750
Decreased by:		
Cash Disbursements	A-4	500
		500
Balance, December 31, 2018	A	\$ 250
<u>Analysis of Change Funds</u>		
Tax Collector		\$ 100
Municipal Court		100
Police		50
		50
		\$ 250

STATEMENT OF DUE TO STATE OF NEW JERSEY-SENIOR  
CITIZENS AND VETERANS' DEDUCTIONS  
YEAR ENDED DECEMBER 31, 2018

A-6

	<u>Ref</u>	
Balance, December 31, 2017	A	\$ (10,512)
Increased by:		
Senior Citizens' and Veterans' Deductions	A-7	36,136
		25,624
Decreased by:		
Cash Receipts	A-4	32,260
		32,260
Balance, December 31, 2018	A	\$ (6,636)
Analysis:		
	Per Tax Duplicate	\$ 32,500
	Allowed for 2018:	
	Veteran Allowed	250
	Disabled Allowed	4,386
		4,636
	Disallowed for 2017:	
	Senior Citizens Disallowed	(1,000)
		(1,000)
		\$ 36,136

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY  
YEAR ENDED DECEMBER 31, 2018

A-7

Year	Balance December 31, 2016	Levy/Added Taxes	Collections				Transferred To Tax Title Liens	Canceled	Balance December 31, 2017
			Senior Citizens' and Veterans' Deductions	2017	2018				
2017	\$ 525,112		\$ (1,000)		\$ 526,112				
2018		\$ 64,567,541	37,136	\$ 3,084,970	60,769,365	\$ 13,818	\$ 132,427	\$ 529,825	
	<u>\$ 525,112</u>	<u>\$ 64,567,541</u>	<u>\$ 36,136</u>	<u>\$ 3,084,970</u>	<u>\$ 61,295,477</u>	<u>\$ 13,818</u>	<u>\$ 132,427</u>	<u>\$ 529,825</u>	
<u>Ref.</u>	A	Below	A-6	A-20	A-4	A-9	Reserve	A	

Analysis of 2018 Property Tax Levy	
Tax Yield	
General Purpose Tax	\$ 64,485,772
Added Taxes (RS 54:4-36.1 et seq.)	81,769
	<u>\$ 64,567,541</u>
Tax Levy	
Regional School Tax	\$ 32,523,791
County Taxes	
County Tax - General	\$ 7,839,349
Open Space Tax	271,920
Due County for Added Tax	10,289
	8,121,558
Local Tax for Municipal Purposes	23,840,423
Add: Additional Tax Levied	45,443
	<u>23,885,866</u>
	<u>\$ 64,531,215</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAXES RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

A-8

	<u>Ref.</u>		
Balance, December 31, 2017	A		\$ 33,469
Increased by:			
2018 Billings	Reserve		<u>603,212</u>
			636,681
Decreased by:			
Prepays Applied	A-22	\$ 27,851	
Cash Receipts	A-4, A-23	589,366	
Cancelled	Reserve	<u>16,477</u>	<u>633,695</u>
Balance, December 31, 2018	A		<u><u>\$ 2,986</u></u>

STATEMENT OF TAX TITLE LIENS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

A-9

	<u>Ref.</u>		
Balance, December 31, 2017	A		\$ 119,139
Increased by:			
Transfers from Current Year Taxes Receivable	A-7		<u>13,818</u>
			132,957
Decreased by			
Cash Receipts	A-4		<u>3,706</u>
Balance, December 31, 2018	A		<u><u>\$ 129,251</u></u>

STATEMENT OF DEMOLITION LIENS  
YEAR ENDED DECEMBER 31, 2018

A-10

	<u>Ref.</u>		
Balance, December 31, 2018 and 2017	A		<u><u>\$ 2,946</u></u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES - AT ASSESSED VALUATIONS  
YEAR ENDED DECEMBER 31, 2018

A-11

	<u>Ref.</u>		
Balance, December 31, 2018 and 2017	A		<u><u>\$ 2,193,200</u></u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

A-12

	Balance Dec. 31, 2017	Accrued	Cash Receipts	Balance Dec. 31, 2018
Licenses:				
Alcoholic Beverages		\$ 97,500	\$ 97,500	
Others		134,821	134,821	
Fees and Permits		595,547	595,547	
Municipal Court - Fines and Costs	\$ 74,328	1,021,740	1,021,754	\$ 74,314
Interest on Costs on Taxes		115,227	115,227	
Interest on Investments and Deposits		194,670	194,670	
Swimming Pool Fees		117,649	117,649	
Cablevision Fees		279,144	279,144	
PILOT - Urban Renewal		78,178	78,178	
PILOT - Mill Creek		683,172	683,172	
PILOT - CVS		56,665	56,665	
PILOT - 55 Market		193,579	193,579	
Energy Receipts Tax		2,868,599	2,868,599	
Uniform Construction Code Fees		1,050,112	1,050,112	
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		154,050	154,050	
Police Outside Duty - Administrative Fees		100,000	100,000	
Hotel/Motel Tax		648,439	648,439	
Uniform Fire Safety Act Fees		67,016	67,016	
Rent Leveling Registration		90,542	90,542	
Atlantic Health Settlement		517,656	517,656	
Anticipated Sale of Property		399,650	399,650	
Anticipated Sewer Utility Operating Surplus		3,300,000	3,300,000	
	<u>\$ 74,328</u>	<u>\$ 13,259,956</u>	<u>\$ 13,259,970</u>	<u>\$ 74,314</u>
<u>Ref.</u>	A	Reserve		A
Cash Receipts	A-4		\$ 13,220,320	
Interfunds (Interest)	A-16		39,650	
			<u>\$ 13,259,970</u>	

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018

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>					
Town Clerk		\$ 10,378	\$ 10,378		\$ 10,378
Business Administrator		7,812	7,812		7,812
Senior Citizens		17,297	17,297		17,297
Vital Statistics		2,234	2,234		2,234
Police	\$ 537	262,512	217,049	\$ 175,049	42,000
Fire		10,900	10,900	10,899	1
Emergency Management Services		2,000	2,000		2,000
Treasurer		34,803	34,803		34,803
Tax Assessor		404	404		404
Code Enforcement		93,274	93,274	90,000	3,274
Public Health		30,891	23,991		23,991
Property Maintenance		16,297	16,297		16,297
Public Works		4,417	4,417		4,417
Recycling		617	617		617
Burham/Cauldwell Pool		19,431	19,431		19,431
Animal Control		1,127	1,127		1,127
Planning		1	1		1
Engineering Services and Costs		38,339	38,339	30,000	8,339
Recreation		18,906	18,906		18,906
Municipal Court		28,043	28,043		28,043
Rent Leveling		7,300	7,300		7,300
Bus Transportation		458	458		458
Tax Collector		151	151		151
Legal		1	1		1
Uniform Construction Code		35,332	35,332		35,332
<b>Total Salaries</b>	<b>537</b>	<b>642,925</b>	<b>590,562</b>	<b>305,948</b>	<b>284,614</b>
<b>OTHER EXPENSES</b>					
Town Clerk	6,759	1,160	14,119	13,592	527
Business Administrator	4,184	2,280	6,464	6,464	
Senior Citizens	4,723	3,323	8,046	5,152	2,894
Vital Statistics		8,134	8,134		8,134
Purchasing	11,246	4,324	25,570	24,994	576
Police	26,756	73,599	100,355	51,982	48,373
Purchase Police Vehicles	134,698	15,302	150,000	134,698	15,302
Fire	16,526	307	16,833	15,826	1,007
Fire Truck Lease		187	187		187
Emergency Management Services	3,495	2,505	6,000	3,495	2,505
Public Works	209,321	226,651	435,972	356,638	79,334
Engineering	11,670	435	12,105	8,870	3,235
Code Enforcement		1,350	1,350		1,350
Treasurer	12,237	60,738	72,975	70,378	2,597
Collector of Taxes	1,255	2,424	3,679	1,210	2,469
Tax Assessor	1,205	4,288	30,493	27,022	3,471
Legal	3,188	39,424	42,612	39,682	2,930
Municipal Prosecutor	1,001	9,999	11,000	2,500	8,500
Municipal Court	8,332	513	8,845	1,465	7,381
Ambulance Squad		30,000	30,000		30,000
Historical Commission		3,500	3,500		3,500
Insurance		122,308	122,308	100,000	22,308
Group Hospitalization	640	64,959	33,499		33,499
Uniform Construction Code		16,337	16,337		16,337
Public Defender	100	15,191	15,291	14,500	791
Public Health	209	379	588	550	38
Planning	14,561	28,699	43,260	43,163	97

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018

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	\$ 1,001	\$ 39,048	\$ 40,049	\$ 760	\$ 39,289
Recreation	1,343	20,762	22,105	5,307	16,798
Rent Leveling		2,347	2,347		2,347
Shade Tree Commission	1,008	617	1,625	1,008	617
Animal Control	750	2,497	3,247	846	2,401
Recycling	25,869	30,540	92,409	74,928	17,481
Environmental Commission		2,505	2,505	350	2,155
Municipal Alliance		2,919	2,919		2,919
Morristown Partnership		10,000	10,000	10,000	
Morris County Tourist Bureau		5,000	5,000		5,000
Alumi Assoc. of Morris County Drug Court		6,200	6,200		6,200
Zoning	469	4,545	5,014	2,340	2,674
Property Maintenance	780	4,551	5,331	730	4,601
Bus Transportation	408	2,505	2,913	578	2,335
Memorial and Veterans Day Association	1,900		1,900	1,900	
Unclassified Reserve for Salary Increases		359,955	359,955	359,955	
Contingent		360	360		360
Total O/E	<u>505,634</u>	<u>1,232,667</u>	<u>1,783,401</u>	<u>1,380,886</u>	<u>402,515</u>
Sub-Total	506,171	1,875,592	2,373,963	1,686,834	687,129
Statutory Expenditures					
Social Security System (O.A.S.I.)		24,536	24,536		24,536
Consolidated Police and Fireman's Pension Fund		14,235	14,235	10,508	3,727
DCRP		10,085	10,085		10,085
Free Public Library		1	1		1
Reserve for Tax Appeals		782	782		782
Morris County Radio Dispatch		360	360		360
Interlocal Municipal Services Agreement		35,016	41,916	41,909	7
Grant Matching Funds		15,000	15,000		15,000
Computer/Office Equipment	3,035	31,052	34,987	3,035	31,952
Total General Appropriations	<u>\$ 509,206</u>	<u>\$ 2,006,659</u>	<u>\$ 2,515,865</u>	<u>\$ 1,742,286</u>	<u>\$ 773,579</u>
Reference	A	A	Ref.		A-1
			A-4	\$ 1,733,168	
			A-17	9,118	
				<u>\$ 1,742,286</u>	

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF DUE FROM SOUTHEAST MORRIS COUNTY MUA A-14  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 1,800,000
Decreased by:		
Cash Receipt - Anticipated Revenue	A-2,A-4	<u>30,000</u>
Balance, December 31, 2018	A	<u>\$ 1,770,000</u>

STATEMENT OF UNAPPROPRIATED GRANTS  
YEAR ENDED DECEMBER 31, 2018

A-15

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 42,250
Increased by:		
Cash Receipts	A-4	<u>659</u>
		42,909
Decreased by:		
Grants Appropriated	A-2	<u>42,250</u>
Balance, December 31, 2018	A	<u>\$ 659</u>
 <u>Analysis of Balance</u>		
DWI Courts		<u>\$ 659</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF INTERFUNDS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

	Ref.	Total	Grant Fund	Sewer Operating	Trust Other	Airport Capital	Other Trust Funds	General Capital
Balance December 31, 2017	A	\$ 160,048	\$ 43,319	\$ 2,764	\$ 43,169	\$ 60,358		\$ 10,438
Increased by:								
Cash Advanced	A-4	138,255						138,255
Interest	A-12	39,650	1,414				\$ 18,934	19,302
		<u>337,953</u>	<u>44,733</u>	<u>2,764</u>	<u>43,169</u>	<u>60,358</u>	<u>18,934</u>	<u>167,995</u>
Decreased by:								
BAN paid by General Capital	A-3	98,230						98,230
Amount Paid to Current Fund	A-4	111,550	5,545	2,764	43,169	39,358		20,714
Interest Paid to Current Fund	A-4	39,650	1,414				18,934	19,302
		<u>249,430</u>	<u>6,959</u>	<u>2,764</u>	<u>43,169</u>	<u>39,358</u>	<u>18,934</u>	<u>138,246</u>
Balance December 31, 2018								
From	A	<u>\$ 88,523</u>	<u>\$ 37,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$</u>	<u>\$ 29,749</u>

Analysis of Net Credit to Fund Balance

Interfunds Receivable:		
December 31, 2018	Above	\$ 88,523
December 31, 2017	Above	<u>160,048</u>
Net Credit	A-1	<u>\$ (71,525)</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF ACCOUNTS PAYABLE  
YEAR ENDED DECEMBER 31, 2018

A-17

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 14,709
Increased by:		
Charges to reserve	A-13	9,118
		<u>23,827</u>
Decreased by:		
Cancelled	A-1	14,709
		<u>14,709</u>
Balance, December 31, 2018	A	<u>\$ 9,118</u>

STATEMENT OF COUNTY TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

A-18

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 47,066
Increased by:		
Levy-Calendar Year 2018		\$ 7,839,349
2018 Open Space Tax Levy		271,920
Due County for Added Taxes		10,289
	A-1, A-2, A-7	<u>8,121,559</u>
		8,168,625
Decreased by:		
Cash Disbursements	A-4	8,158,335
		<u>8,158,335</u>
Balance, December 31, 2018	A	<u>\$ 10,289</u>

STATEMENT OF REGIONAL SCHOOL TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

A-19

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ (2,279)
Increased by:		
Transferred from Appropriations	A-3	\$ 197,705
Levy - Calendar Year 2018	A-1, A-2, A-7	32,523,791
		<u>32,721,496</u>
		32,719,217
Decreased by:		
Adjustment	A-1	2,672
Cash Disbursements	A-4	32,716,545
		<u>32,716,545</u>
Balance, December 31, 2018	A	<u>\$ -</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF PREPAID TAXES  
YEAR ENDED DECEMBER 31, 2018

A-20

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 3,084,970
Increased by:		
Collection of 2019 Taxes	A-4	<u>559,797</u>
		3,644,767
Decreased by:		
Applied to 2018 Taxes	A-7	<u>3,084,970</u>
Balance, December 31, 2018	A	<u>\$ 559,797</u>

STATEMENT OF TAX OVERPAYMENTS  
YEAR ENDED DECEMBER 31, 2018

A-21

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 397,168
Decreased by:		
Refunds	A-4	<u>294,883</u>
Balance, December 31, 2018	A	<u>\$ 102,285</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAX  
OVERPAYMENTS AND PREPAID  
YEAR ENDED DECEMBER 31, 2018

A-22

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 27,523
Increased by:		
Cash Receipts	A-4	<u>15,460</u>
Decreased by:		
Prepays Applied	A-8	<u>27,851</u>
Balance, December 31, 2018	A	<u><u>\$ 15,131</u></u>
Analysis of Balance:		
Prepays		<u><u>\$ 15,131</u></u>

STATEMENT OF SPECIAL IMPROVEMENTS DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

A-23

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 273,576
Increased by:		
Collections	A-8	<u>589,366</u> 862,942
Decreased by:		
Cancellations	A-1	217,955
Cash Disbursements	A-4	<u>636,546</u>
Balance, December 31, 2018	A	<u><u>\$ 8,441</u></u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF FEMA RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

A-24

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ -
Increased by:		
Fully Reserved Receivable	Reserve	<u>425,000</u>
Balance, December 31, 2018	A	<u>\$ 425,000</u>

STATEMENT OF DUE TO STATE OF NEW JERSEY  
YEAR ENDED DECEMBER 31, 2018

A-25

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 4,213
Increased by:		
Cash Receipts	A-4	<u>3,442</u>
		\$ 7,655
Decreased by:		
Cash Disbursements - Health	A-4	<u>6,555</u>
Balance, December 31, 2018	A	<u>\$ 1,100</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF GRANTS RECEIVABLE - GRANT FUND  
YEAR ENDED DECEMBER 31, 2018

A-26

	Balance, December 31, 2017	2018 Anticipated Revenue	Received	Balance, December 31, 2018
Relevel. Plan - Center and Coal Streets	\$ 5,193			\$ 5,193
Pocahontas/Caldwell Parks	81,428		\$ 8,500	72,928
Senior Center Improvements	1,273			1,273
Planning Assistance Grant	18,500			18,500
T-Growth Planning Grant	4,250			4,250
Open Space & Farmland Preservation	162,748			162,748
Open Space Grant Edgewood Project	75,000			75,000
Clean Communities	478			478
DOT Train Improvements	50,000			50,000
NJ DEP Forestry/Tree Planting	30,000		26,775	3,225
Morris County Foote's Pond Wood Trail	132,696			132,696
NJ DOT Pedestrian Safety	4,450		523	3,928
Recycling Tonnage Grant	1			1
NJ Distracted Driving	5,500			5,500
Drive Sober or Get Pulled Over	5,500			5,500
State Affordable Housing Grant	463			463
Smart Growth Planning Grant	53,970			53,970
NJ DOT- South Street Phase II	10,401			10,401
NJ DOT- Washington Street Phase II	150,955		129,535	21,420
NJ DOT Safe Street to Transit	28,418			28,418
NJ DOT Recreation Trails Program	12,000			12,000
NJ DOT MLK Promenade	1,000,000			1,000,000
NJ DEP	12,000		12,000	
FEMA Homeland Security - Turnout Gear	4,257			4,257
Safe Routes to School Program	120,000			120,000
Green Acres Program - Hillcrest Park	5,871			5,871
Local Aid - Corey Road	75,918			75,918
Pedestrian Safety, Education & Enforcement Grant	4,173			4,173
Click It or Ticket Grant	2,600			2,600
Green Acres Program - Chap-159		\$ 500,000	500,000	
Asso. of NJ Environmental Commission-Chap159		1,500	1,380	120
NJDEP Clean Communities -Chap159		31,286	31,286	
Morris County Open Space - Chap159		1,350,000	1,350,000	
FEMA Generator Grant		148,500		148,500
NJ Healthy Comm Network- Pocahontas		8,500		8,500
Washington Streetscape 3		245,000		245,000
	<u>\$ 2,058,043</u>	<u>\$ 2,284,786</u>	<u>\$ 2,059,999</u>	<u>\$ 2,282,830</u>

Ref.

A

A-2

A-4

A

TOWN OF MORRISTOWN

STATEMENT OF DUE TO CURRENT FUND  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2018

A-27

	<u>Ref.</u>		
Balance, December 31, 2017	A		\$ 43,319
Increased by:			
Interest Income	A-4	<u>1,414</u>	<u>1,414</u>
			44,733
Decreased by:			
Cash Disbursed to Current Fund	A-4	5,545	
Interest Disbursed to Current Fund	A-4	<u>1,414</u>	<u>6,959</u>
Balance, December 31, 2018	A		<u>\$ 37,774</u>

STATEMENT OF ENCUMBRANCES PAYABLE  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2018

A-28

	<u>Ref.</u>		
Balance, December 31, 2017 and 2018	A		<u>\$ 5,150</u>



TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2018

B-1

		Animal Control		Other		Self Insurance		Equitable Sharing
	Ref.							
Balance, December 31, 2017	B	\$ 48,596		\$ 4,358,873		\$ 712,164		\$ 226,003
Increased by:								
Dog Licenses - State Fees	B-2	\$ 1,237						
Reserve for Animal Control	B-3	12,109						
Interest Earned	B-6			\$ 1,145				
Reserve for Recreation	B-11			140,226				
Miscellaneous Reserves	B-12			2,834,974				
Affordable Housing	B-7			35,360				
Payroll Deduction Payable	B-13			8,140,670				
Police Forfeiture	B-5			2,292				
Equitable Sharing	B-4						\$ 80,458	
Claims/ Other Reimbursements	B-10					\$ 114,619		
		13,346		11,154,667		114,619		80,458
		61,942		15,513,540		826,783		306,461
Decreased by:								
Payments to Current Fund	B-6, B-9			54,458				
Recreation	B-11			103,441				
Affordable Housing	B-7			125,828				
Other Disbursements	B-10					82,306		
Escrow Deposits	B-8			4,904				
Reserve for Animal Control	B-3	949						
Due to State of New Jersey	B-2	686						
Miscellaneous Reserves	B-12			2,620,043				
Payroll Deductions Payable	B-13			8,112,707				
Equitable Sharing	B-4						305,742	
		1,635		11,021,381		82,306		305,742
		60,307		4,492,159		744,477		719
Balance, December 31, 2018	B	\$ 60,307		\$ 4,492,159		\$ 744,477		\$ 719

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO STATE OF NEW JERSEY  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2018

B-2

	<u>Ref.</u>	
Balance, December 31, 2017	B	\$ 61
Increased by:		
Cash Received	B-1	1,237
		1,298
Decreased by:		
Cash Disbursements	B-1	686
		686
Balance, December 31, 2018	B	\$ 612

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2018

B-3

	<u>Ref.</u>	
Balance, December 31, 2017	B	\$ 48,535
Increased by:		
Dog Licenses Fees Collected	B-1	12,109
		60,644
Decreased by:		
Cash Disbursements	B-1	949
		949
Balance, December 31, 2018	B	\$ 59,695

TOWN OF MORRISTOWN  
TRUST FUND

RESERVE FOR EQUITABLE SHARING FUND  
YEAR ENDED DECEMBER 31, 2018

B-4

	<u>Ref.</u>	
Balance, December 31, 2017	B	\$ 226,003
Increased by:		
Interest Earned on Investments	B-1	80,458
		306,461
Decreased by:		
Cash Disbursements	B-1	305,742
		305,742
Balance, December 31, 2018	B	\$ 719

STATEMENT OF RESERVE FOR POLICE FORFEITURE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

B-5

	<u>Ref.</u>	
Balance, December 31, 2017	B	\$ 37,936
Increased by:		
Cash Receipts	B-1	2,292
		2,292
Balance, December 31, 2018	B	\$ 40,228

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	<u>B-6</u>
Balance, December 31, 2017	B	\$ 137,727
Increased by:		
Interest Earned on Investments	B-1	1,145
		<u>138,872</u>
Decreased by:		
Cash Disbursed	B-1	11,289
		<u>11,289</u>
Balance, December 31, 2018	B	<u>\$ 127,583</u>

STATEMENT OF RESERVE FOR AFFORDABLE HOUSING  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	<u>B-7</u>
Balance, December 31, 2017	B	\$ 1,476,526
Increased by:		
Cash Receipts	B-1	35,360
		<u>1,511,886</u>
Decreased by:		
Cash Disbursed	B-1	125,828
		<u>125,828</u>
Balance, December 31, 2018	B	<u>\$ 1,386,058</u>

STATEMENT OF ESCROW DEPOSITS PAYABLE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	<u>B-8</u>
Balance, December 31, 2017	B	\$ 1,187,561
Decreased by:		
Escrow Deposits Refunded	B-1	4,904
		<u>4,904</u>
Balance, December 31, 2018	B	<u>\$ 1,182,657</u>

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO CURRENT FUND  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

B-9

	<u>Ref.</u>	
Balance, December 31, 2017	B	\$ 43,169
Decreased by:		
Cash Disbursed	B-1	43,169
Balance, December 31, 2018	B	\$ -

STATEMENT OF RESERVE FOR SELF-INSURANCE EXPENDITURES  
SELF INSURANCE FUND  
YEAR ENDED DECEMBER 31, 2018

B-10

	<u>Ref.</u>	
Balance, December 31, 2017	B	\$ 712,164
Increased by:		
Claim Reimbursements	B-1	114,619
		826,783
Decreased by:		
Cash Disbursements	B-1	82,306
Balance, December 31, 2018	B	\$ 744,477

Analysis of Balance

Reserve for Workers Compensation Claims	\$	619,834
Reserve for Liability Claims		124,643
		\$ 744,477

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF RESERVE FOR RECREATION PROGRAMS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

B-11

	<u>Ref.</u>	
Balance, December 31, 2017	B	\$ 58,786
Increased by:		
Cash Receipts	B-1	140,226
		199,012
Decreased by:		
Cash Disbursed	B-1	103,441
Balance, December 31, 2018	B	\$ 95,571

STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

B-12

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
Municipal Court POAA Fees	\$ 31,880	\$ 12,164	\$ 16,839	\$ 27,205
Fire Prevention Donations	5,014			5,014
Fire Prevention Penalties	8,904	16,108		25,012
Fire Victims Relief	3,711			3,711
Fire Donations	423			423
Epstein's Project Deposits	16,400			16,400
Lease Security Deposits	28,830			28,830
Police Donations	21,794	3,650		25,444
Purchase of Police Vehicles	77,523	91,138	85	168,576
Outside Police Duty Fees	25,974	1,310,031	1,238,521	97,484
Outside Police Admin Fees	3,035	145,575	100,320	48,290
Public Works Deposits	109,202	1,947	1,571	109,578
Senior Weekend Meals Donations	623			623
Senior Center Donations	2,166	870		3,036
Jail and Cablevision Legal Reserve	648			648
Public Defender Fees	14,972		12,600	2,372
Outside Lien Redemptions	6,339	353,247	345,187	14,399
Flexible Spending	2,445	51,055	49,900	3,600
Flexible Spending - Dependent Care	685	11,000	9,876	1,809
Bob Tracey Park Contributions	7,866	100	1,514	6,452
Reserve for Restitution	3,150			3,150
Accumulated Sick and Vacation Time	157,860	457,564	330,223	285,201
Other Reserves	8,605			8,605
Police Confiscated	12,546	1,728	22	14,252
Public Tree Donation	4,200	1,590		5,790
Relocation Assistance Trust	3,000			3,000
Storm Recovery reserve	119,000	202,807	220,685	101,122
Premium on Tax Sale Deposits	499,600	174,400	292,700	381,300
Mayor Wellness	1,000			1,000
Footes Pond Trust	50			50
	\$ 1,177,445	\$ 2,834,974	\$ 2,620,043	\$ 1,392,376
	B	B-1	B-1	B

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	<u>B-13</u>
Balance, December 31, 2017	B	\$ 239,723
Increased by:		
Receipts	B-1	<u>8,140,670</u>
		8,380,393
Decreased by:		
Disbursements	B-1	<u>8,112,707</u>
Balance, December 31, 2018	B	<u><u>\$ 267,686</u></u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2018

C-2

	<u>Ref.</u>		
Balance, December 31, 2017	C		\$ 3,836,129
Increased by:			
Premium on Bond Anticipation Note Sales	C-1	\$ 45,778	
Proceeds of Bond Anticipation Notes	C-9	7,130,240	
Capital Improvement Fund	C-14	150,000	
Cash Advanced from Current Fund	C-15	138,255	
Interfund Current - Interest	C-15	19,302	
		7,483,575	
			11,319,704
Decreased by:			
Improvement Authorizations	C-7	3,487,459	
Payment of Bond Anticipation Notes	C-9	7,228,470	
Paid to Current Fund	C-1, C-15	190,016	
		10,905,945	
Balance, December 31, 2018	C		\$ 413,759

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH  
DECEMBER 31, 2018 AND 2017

C-3

	<u>Balance</u> <u>December 31,</u> <u>2018</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
Fund Balance	\$ 548,987	\$ 779,093
Grants Receivable		(125,884)
Capital Improvement Fund	294,092	334,792
Reserve for Future Improvements	47,596	77,595
Reserve to Pay Debt Service	506	506
Reserve for Bond Costs	9,680	9,680
Contracts Payable	868,628	1,564,195
Current Interfund	29,749	10,438
Excess Funding Ordinance 07-18/09-26	1,651	1,651
 Improvement Authorizations:		
Ordinance		
<u>Number</u>	<u>General Improvements</u>	
05-29	Various Capital Improvements	8,870
06-14	Various Capital Improvements	33,633
06-15	Various Capital Improvements	2,939
07-17	Acq. Of Vehicles and Equipment	13
08-20	Various Capital Improvements	92
09-25	Various Public Improvements and Acquisitions	9,425
11-09	Various Capital Improvements	3,034
12-17	Various Capital Improvements	695
12-33	Speedwell Development	1,298
12-35	Park Improvements Pool	5,513
13-16	Various Capital Improvements	2,948
23-14	Various Capital Improvements	90,756
9-15	Various Capital Improvements	71,654
05-16	Acquisition of Property	192,366
19-16	Various Capital Improvements	102,505
27-16	Acquisition of Property	15,000
17-15	Various Capital Improvements	(1,521,635)
17-21	Developer Contribution - Speedwell	248,775
10-18	Washington Streetscape	30,000
21-18	Acquisition of Loyola Property	(244,150)
23-18	Various Capital Improvements	(459,050)
38-18	Loyola Supplemental	25,000
		<u>\$ 413,759</u>
		<u>\$ 3,836,129</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF GRANTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

C-4

<u>Ord. No</u>	<u>Agency</u>	<u>Balance December 31, 2017</u>	<u>Decrease</u>	<u>Increase</u>	<u>Balance December 31, 2018</u>
96-12	Reconstruction of Abbett Ave.	\$ 38,890	\$ (38,890)	\$	\$
97-31	Improvements. To Atno Ave. and Clinton Pl.	56,250	(56,250)		
97-14	Expansion of 1st Ward Hose Co.	30,744	(30,744)		
		<u>\$ 125,884</u>	<u>\$ (125,884)</u>	<u>\$ -</u>	<u>\$ -</u>
	Reference	C	C-1		

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED  
YEAR ENDED DECEMBER 31, 2018

C-5

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 16,094,809
Decreased by:		
2018 Budget Appropriation to Pay Serial Bonds	C-10	<u>2,796,362</u>
Balance, December 31, 2018	C	<u>\$ 13,298,447</u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
YEAR ENDED DECEMBER 31, 2018

C-6

<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Analysis of Balance December 31, 2018</u>							
		<u>Balance December 31, 2017</u>	<u>2018 Authorizations</u>	<u>Budget Appropriation</u>	<u>Balance December 31, 2018</u>	<u>Bond Anticipation Notes</u>	<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>	<u>Excess Funding</u>
09-34	Refunding Tax Appeals	\$ (1,651)			\$ (1,651)				\$ (1,651)
09-15	Various Capital Improvements	2,656,470		\$ 98,230	2,558,240	\$ 2,558,240			
05-16	Acquisition of Property	332,000			332,000	332,000			
19-16	Various Capital Improvements	2,768,000			2,768,000	2,768,000			
27-16	Acquisition of Property	472,000			472,000	472,000			
15-17	Various Capital Improvements	3,170,000			3,170,000	1,000,000	\$ 1,521,635	\$ 648,365	
21-18	Acquisition of Loyola Property		\$ 244,150		244,150		244,150		
23-18	Various Capital Improvements		2,904,150		2,904,150		459,050	2,445,100	
38-18	Loyola Supplemental		475,000		475,000			475,000	
		<u>\$ 9,396,819</u>	<u>\$ 3,623,300</u>	<u>\$ 98,230</u>	<u>\$ 12,921,889</u>	<u>\$ 7,130,240</u>	<u>\$ 2,224,835</u>	<u>\$ 3,568,465</u>	<u>\$ (1,651)</u>
<u>Ref.</u>		C	C-7	C-15	C	C-9	C-3	C-7	C-3

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
YEAR ENDED DECEMBER 31, 2018

C-7

Ord No.	Improvement Description	Ordinance Amount	Balance, December 31, 2017		2018 Authorizations			Balance, December 31, 2018			
			Funded	Unfunded	Deferred Charges to Future Taxation Unfunded	Contributions	Capital Improvement Fund	Contracts Payable/ (Canceled)	Paid or Charged	Funded	Unfunded
05-29	Various Capital Improvements	\$ 2,610,000	\$ 172,869					\$ (15,218)	\$ 179,217	\$ 8,870	
06-14	Various Capital Improvements	451,100	43,908						10,275	33,633	
06-15	Various Capital Improvements	1,895,000	2,939							2,939	
07-17	Acquisition of Various Vehicles and Equipment	150,000	966						953	13	
08-20	Various Capital Improvements	1,562,000	92							92	
09-25	Various Public Improvements & Acquisitions	485,000	13,922					(1,079)	5,576	9,425	
10-21	Various Capital Improvements	685,000								-	
11-09	Various Capital Improvements	1,220,000	6,867					162	3,671	3,034	
12-17	Various Capital Improvements	1,757,000	1,175					480		695	
12-33	Speedwell Development	1,800,000	1,298						1,298	-	
12-35	Park Improvements Pool	210,000	5,513					513	5,000	-	
13-16	Various Capital Improvements	1,195,000	596					(17,149)	14,797	2,948	
23-14	Various Capital Improvements	2,600,000	51,922					(126,391)	87,557	90,756	
09-15	Various Capital Improvements	2,822,600		\$ 182,568				(21,512)	132,426		\$ 71,654
05-16	Acquisition of Property	355,000		192,366				(62,655)	62,655		192,366
19-16	Various Capital Improvements	3,795,000		355,162				(374,538)	627,195		102,505
27-16	Acquisition of Property	505,000		15,000							15,000
15-17	Various Capital Improvements	4,068,566		2,058,124				(363,358)	1,773,117		648,365
21-17	Developer Contribution - Speedwell	250,000	248,775							248,775	
10-18	Washington Streetscape	30,000				\$ 30,000				30,000	
21-18	Acquisition of Loyola Property	257,000			\$ 244,150		\$ 12,850		257,000		
23-18	Various Capital Improvements	3,057,000			2,904,150		152,850	285,178	326,722		2,445,100
38-18	Loyola Supplemental	500,000			475,000		25,000			25,000	475,000
			<u>\$ 550,842</u>	<u>\$ 2,803,220</u>	<u>\$ 3,623,300</u>	<u>\$ 30,000</u>	<u>\$ 190,700</u>	<u>\$ (695,567)</u>	<u>\$ 3,487,459</u>	<u>\$ 456,180</u>	<u>\$ 3,949,990</u>
Ref.			C	C	C-6	C-13	C-14	C-8	C-2	C	C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CONTRACTS PAYABLE  
YEAR ENDED DECEMBER 31, 2018

C-8

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 1,564,195
Increased by:		
Contracts Originating in 2018 - net	C-7	<u>(695,567)</u>
Balance, December 31, 2018	C	<u>\$ 868,628</u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF BOND ANTICIPATION NOTES  
YEAR ENDED DECEMBER 31, 2018

C-9

<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, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2018</u>
2009-15	Various Capital Improvements	9/29/2016	5/21/2019	3.00%	\$ 2,656,470	\$ 2,558,240	\$ 2,656,470	\$ 2,558,240
2016-05	Various Capital Improvements	9/29/2016	5/21/2019	3.00%	332,000	332,000	332,000	332,000
2016-19	Various Capital Improvements	11/23/2016	5/21/2019	3.00%	2,768,000	2,768,000	2,768,000	2,768,000
2016-27	Various Capital Improvements	11/23/2016	5/21/2019	3.00%	472,000	472,000	472,000	472,000
2017-15	Various Capital Improvements	11/27/2017	5/21/2019	3.00%	1,000,000	1,000,000	1,000,000	1,000,000
					<u>\$ 7,228,470</u>	<u>\$ 7,130,240</u>	<u>\$ 7,228,470</u>	<u>\$ 7,130,240</u>
				<u>Ref.</u>	C	C-2	C-2	C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS  
YEAR ENDED DECEMBER 31, 2018

C-10  
Sheet #1

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2017</u>	<u>Decrease</u>	<u>Balance, December 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds of 2005	2005	\$ 7,961,260	8/1/19	\$ 874,447	6.50 %	\$ 1,676,549	\$ 802,102	\$ 874,447
Refunding Bonds of 2009	3/1/2009	1,150,000	3/1/19	235,000	4.00	1,150,000		1,150,000
			3/1/20	230,000	4.25			
			3/1/21	235,000	5.00			
			3/1/22	230,000	5.00			
			3/1/23	220,000	5.00			
Refunding Bonds of 2011	6/21/2011	1,500,630			3.00	239,260	239,260	
Refunding Bonds of 2014	3/15/2014	4,975,000	9/15/19	1,275,000	4.00	2,515,000	1,240,000	1,275,000

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS  
YEAR ENDED DECEMBER 31, 2018

C-10  
Sheet #2

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2018</u>		<u>Interest Rate</u>		<u>Balance, December 31, 2017</u>	<u>Decrease</u>	<u>Balance, December 31, 2018</u>	
			<u>Date</u>	<u>Amount</u>						
General Improvement Bonds of 2016	5/25/2016	\$ 10,924,000	6/1/19	\$ 555,000	3.00	%	\$ 10,514,000	\$ 515,000	\$ 9,999,000	
			6/1/20	620,000	4.00					
			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					
										<u>\$ 16,094,809</u>
							<u>Ref.</u>	<u>C</u>	<u>C-5</u>	<u>C</u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF RESERVE FOR REFUNDING  
BOND ISSUANCE COSTS  
YEAR ENDED DECEMBER 31, 2018

C-11

	<u>Ref.</u>	
Balance, December 31, 2018 and 2017	C	<u>\$ 9,680</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT SERVICE  
YEAR ENDED DECEMBER 31, 2018

C-12

	<u>Ref.</u>	
Balance, December 31, 2018 and 2017	C	<u>\$ 506</u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS  
YEAR ENDED DECEMBER 31, 2018

C-13

	Balance, December 31, <u>2017</u>	<u>Project Funding</u>	Balance, December 31, <u>2018</u>
Computer Upgrades	\$ 7,946		\$ 7,946
Traffic Study	4,650		4,650
Open Space	15,000		15,000
Whole Foods - Streetscape Contribution	30,000	\$ 30,000	
Developer's Contribution	<u>20,000</u>		<u>20,000</u>
	<u>\$ 77,596</u>	<u>\$ 30,000</u>	<u>\$ 47,596</u>
<u>Ref.</u>	C	C-7	C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2018

C-14

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 334,792
Increased by:		
Budget Appropriation	C-2	150,000
		484,792
Decreased by:		
Improvement Authorizations Funded	C-7	190,700
		190,700
Balance, December 31, 2018	C	\$ 294,092

STATEMENT OF DUE TO CURRENT FUND  
YEAR ENDED DECEMBER 31, 2018

C-15

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 10,438
Increased by:		
Cash Advanced from Current Fund	C-2	\$ 138,255
Interest Accrued	C-2	19,302
		157,557
		167,995
Decreased by:		
BAN Payment by Capital Fund	C-6	98,230
Cash Disbursements	C-2	40,016
		138,246
Balance, December 31, 2018	C	\$ 29,749

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2018

C-16

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>	<u>2018</u> <u>Authorizations</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes Issued</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>
2017-15	Various Capital Improvements	\$ 2,170,000			\$ 2,170,000
21-18	Acuisition of Loyola Property		\$ 244,150		244,150
23-18	Various Capital Improvements		2,904,150		2,904,150
38-18	Loyola Supplemental		475,000		475,000
		\$ 2,170,000	\$ 3,623,300		\$ 5,793,300
		<u>Ref.</u> C	C-7		C

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CASH - SEWER TREASURER  
DECEMBER 31, 2018

D-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2017	D	\$ 992,426	\$ 2,332,573
Increased by Receipts:			
Consumer Accounts Receivable	D-3, D-6	\$ 7,546,508	
Reserve for Sewer Connection Fees	D-15		\$ 258,939
Anticipated Revenues:			
Sale of SREC's	D-3	114,261	
Late Fees	D-3	21,428	
Sewer Connection Fees (from Capital)	D-3	393,000	
Interest (from Capital)	D-3, D-10	14,253	
Premium on Note Sale	D-2		14,855
Capital Improvement Fund	D-13		670,000
Prepaid Sewer Fees	D-14	83,655	
Interest on Investments	D-3, D-10	13,760	14,253
MRNA	D-3	120	
		<u>8,186,985</u>	<u>958,047</u>
Decreased by Disbursements:			
2018 Budget Appropriations	D-4	7,656,771	
2017 Budget Appropriations	D-9	105,488	
Refund of Overpayments	D-11	52	
Improvement Authorizations	D-21		372,249
Accrued Interest on Bonds and Notes	D-12	276,294	
Payments to Sewer Operating Fund	D-10		14,253
Due to Current Fund	D	2,764	
Reserve for Connection Fees	D-15		393,000
		<u>8,041,369</u>	<u>779,502</u>
Balance, December 31, 2018	D	<u>\$ 1,138,042</u>	<u>\$ 2,511,118</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

D-5A

STATEMENT OF SEWER UTILITY CAPITAL CASH  
SEWER UTILITY CAPITAL FUND  
DECEMBER 31, 2018 AND 2017

	<u>Balance December 31, 2018</u>	<u>Balance December 31, 2017</u>
Fund Balance	\$ 203,760	\$ 188,905
Contracts Payable	301,655	197,082
Reserve for Sewer Connections	856,302	990,363
Capital Improvement Fund	152,000	152,000
Interfund Payable		
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 (289,705)	(262,678)
11-20	Improv. to Sewer Utility Complex 11,447	9,306
14-22	Various Sewer Repairs 2,127	2,127
15-21	Various Sewer Improvements 18,716	24,054
16-26	Various Sewer Improvements 265,866	362,409
17-20	Various Sewer Improvements 386,289	670,000
18-41	Various Sewer Improvements 603,656	
	<u>\$ 2,511,118</u>	<u>\$ 2,332,573</u>

STATEMENT OF CONSUMERS ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

D-6

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 236,631
Increased by:		
Sewer Rents Levied	Reserve	<u>7,608,666</u>
		7,845,297
Decreased by:		
Sewer Rents Collected:		
Cash Receipts	D-5	\$ 7,546,508
Prepaid Applied	D-14	<u>79,440</u>
	D-3	<u>7,625,948</u>
Balance, December 31, 2018	D	<u>\$ 219,349</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF FIXED CAPITAL  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-7

Balance, December 31, 2017	D	\$ 68,786,889
Increased by:		
Transfers from Fixed Capital Authorized and Uncompleted	D-8	2,456,465
Balance, December 31, 2018	D	\$ 71,243,354

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-8

<u>Or. No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2017</u>	<u>2018 Authorizations Deferred Charges to Future Revenue</u>	<u>Transferred to Fixed Capital</u>	<u>Balance December 31, 2018</u>
04-27	Repairs/Replacement of Sewer Lines	\$ 8,907		\$ 8,907	
06-24	Various Sewer Improvements	392		392	
07-16	Various Sewer Improvements	2,166		2,166	
08-10	Solar Energy Project	4,900,000			\$ 4,900,000
08-21	Various Sewer Improvements	275,000		275,000	
10-15	Sewer Line Replacement	100,000		100,000	
10-20	Facility Repairs & Improvements	680,000		680,000	
11-10	Various Sewer Repairs	377,000		377,000	
11-20	Improv. to Sewer Utility Complex	2,000,000			2,000,000
12-34	Sewer Complex Supplemental	625,000			625,000
13-21	Various Sewer Improvements	1,013,000		1,013,000	
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
		\$ 12,201,465	\$ 670,000	\$ 2,456,465	\$ 10,415,000
<u>Ref.</u>		D	D-21	D-7	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF APPROPRIATION RESERVES -  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

D-9

	Balance		Balance	Paid or	Balance
	December 31, 2017				
	<u>Encumbered</u>	<u>Unencumbered</u>	<u>Transfers</u>		<u></u>
Operating:					
Salary and Wages		\$ 113,064	\$ 37,064		\$ 37,064
Other Expenses	\$ 57,510	7,843	141,353	\$ 105,488	35,865
	<u>\$ 57,510</u>	<u>\$ 120,907</u>	<u>\$ 178,417</u>	<u>\$ 105,488</u>	<u>\$ 72,929</u>
Ref.	D-4	D-4		D-5	D-1

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

D-10

STATEMENT OF INTERFUNDS  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	<u>Sewer Operating Fund</u>	<u>Sewer Capital Fund</u>
Balance December 31, 2017			
Due from	D	\$ -	
Due (to)	D		\$ -
Increased by:			
Cash Transferred to Sewer Operating Fund	D-5	14,253	
Accrued Interest/MRNA	D-5		14,253
		14,253	14,253
Decreased by:			
Interest Income/MRNA	D-3	14,253	
Cash Receipts	D-5		14,253
		14,253	14,253
Balance December 31, 2018			
Due from	D	\$ -	
Due (to)	D		\$ -

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF OVERPAYMENTS -  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

D-11

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 7,502
Decreased by:		
Refunds	D-5	52
Balance, December 31, 2018	D	\$ 7,450

STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

D-12

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 113,541
Increased by:		
Budget Appropriation for:		
Interest on Bonds and Notes	D-4	236,600
		350,141
Decreased by;		
Cash Disbursements	D-5	276,294
Balance, December 31, 2018	D	\$ 73,847
Analysis:		
Bonds		\$ 25,460
Notes		48,387
		\$ 73,847

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-13

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 152,000
Increased by:		
Budget Appropriation	D-5	670,000
		822,000
Decreased by:		
Finance Improvement Authorization	D-20	670,000
		670,000
Balance, December 31, 2018	D	\$ 152,000

STATEMENT OF PREPAID SEWER FEES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

D-14

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 79,440
Increased by:		
Cash Receipts	D-5	83,655
		163,095
Decreased by:		
Applied	D-6	79,440
		79,440
Balance, December 31, 2018	D	\$ 83,655

STATEMENT OF RESERVE FOR SEWER CONNECTION FEES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-15

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 990,363
Increased by:		
Cash Receipts	D-5	258,939
		1,249,302
Decreased by:		
Realized in Operating Fund	D-5	393,000
		393,000
Balance, December 31, 2018	D	\$ 856,302

See Independent Auditors' Report

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF SERIAL BONDS -  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-16

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2018</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2017</u>	<u>Decrease</u>	<u>Balance, December 31, 2018</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds of 2005	2005	\$ 6,843,105	8/1/19	\$ 515,550	6.50 %	\$ 988,447	\$ 472,897	\$ 515,550	
Refunding Bonds 2009	10/1/09	2,475,000	3/1/19	505,000	4.00 %	2,475,000		2,475,000	
			3/1/20	495,000	4.25				
			3/1/21	495,000	5.00				
			3/1/22-23	490,000	5.00				
Refunding Bonds 2011A	7/13/11	3,234,370			3.00 %	515,740	515,740		
Refunding Bonds 2011B	7/13/11	820,000	3/1/19	80,000	3.00 %	380,000	80,000	300,000	
			3/1/20	80,000	3.00				
			3/1/21	75,000	3.125				
			3/1/22	65,000	3.25				
Refunding Bonds 2014	3/15/14	625,000	3/15/19	155,000	4.00 %	310,000	155,000	155,000	
						\$ 4,669,187	\$ 1,223,637	\$ 3,445,550	
						<u>Ref</u>	D	D-19	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF BOND ANTICIPATION NOTES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

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, 2017</u>	<u>Decrease</u>	<u>Balance, December 31, 2018</u>
10-20	Various Sewer Facility Repairs & Improvements	06/14/11	06/7/19	2.75 %		\$ 608,542	\$ 608,542	
11-20	Improvements to Sewer Utility Complex	06/14/12	06/7/19	2.75		1,791,068	93,458	\$ 1,697,610
11-10	Facility Repairs & Improvements	06/14/12	06/7/19	2.75		362,454	20,000	342,454
12-16	Facility Repairs & Improvements	9/7/12	06/7/19	2.75		191,936	10,000	181,936
						<u>\$ 2,954,000</u>	<u>\$ 732,000</u>	<u>\$ 2,222,000</u>
					<u>Ref.</u>	D	D-19	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-18

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 197,082
Increased by:		
Charged to Improvement Authorizations	D-21	301,658
		498,740
Decreased by:		
Cancelled Contracts Payable	D-21	197,085
Balance, December 31, 2018	D	\$ 301,655

STATEMENT OF RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-19

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 70,250,723
Increased by:		
Paid by Budget Appropriation - BANs	D-17	\$ 732,000
Transfer from Deferred Reserve	D-20	11,465
Paid by Budget Appropriation - Serial Bonds	D-16	1,223,637
		1,967,102
Balance, December 31, 2018	D	\$ 72,217,825

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

D-20

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

Ord. No.	<u>Improvement Description</u>	Balance December 31, 2017	<u>Increases</u>	<u>Transferred to Reserve for Amortization</u>	Balance December 31, 2018
04-27	Repairs/Replacement of Sewer Lines	\$ 8,907		\$ 8,907	
06-24	Various Sewer Improvements	392		392	
07-16	Various Sewer Improvements	2,166		2,166	
08-10	Solar Energy Project	1,515,298			\$ 1,515,298
17-20	Various Sewer Improvements	670,000			670,000
18-41	Various Sewer Improvements		<u>\$ 670,000</u>		<u>670,000</u>
		<u>\$ 2,196,763</u>	<u>\$ 670,000</u>	<u>\$ 11,465</u>	<u>\$ 2,855,298</u>
<u>Ref.</u>		D	D-13	D-19	D

TOWNSHIP OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-21

Ord. No	Improvement Description	Ordinance Amount	Balance December 31, 2017		2018 Authorization	Paid or Adjusted	Paid or Charged	Balance December 31, 2018	
			Funded	Unfunded				Funded	Unfunded
08-10	Solar Energy Project	\$ 4,900,000		\$ 29,008		\$ 1,281	\$ 28,308		\$ 1,981
11-20	Improvement to Sewer Complex	2,000,000		9,306		2,141	-		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	24,054			41,979	47,317	18,716	
16-26	Various Sewer Improvements	670,000	362,409			151,684	248,227	265,866	
17-20	Various Sewer Improvements	670,000	670,000				283,711	386,289	
18-41	Various Sewer Improvements	670,000			\$ 670,000		66,344	603,656	
			<u>\$ 1,058,590</u>	<u>\$ 663,314</u>	<u>\$ 670,000</u>	<u>\$ 197,085</u>	<u>\$ 673,907</u>	<u>\$ 1,276,654</u>	<u>\$ 638,428</u>
	<u>Ref.</u>		D	D	D-8, D-13	D-18		D	D
					<u>Ref.</u>				
			Cash Disbursed		D-5		\$ 372,249		
			Contracts Payable		D-18		301,658		
							<u>\$ 673,907</u>		

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

D-22

<u>Ord.</u>	<u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2018 and 2017</u>
72-10/88-06		Improvements to Sanitary Sewerage System	\$ 995
08-10		Solar Energy Project	291,686
12-34		Sewer Complex Supplemental	625,000
			<u>\$ 917,681</u>
			<u>Ref. D</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2018

E-5

	<u>Ref.</u>	<u>Operating Fund</u>		<u>Capital Fund</u>
Balance, December 31, 2017	E	\$ 18,802		\$ 88,621
Increased by Receipts:				
Received from Federal Aviation Administration	E-9		\$ 1,313,203	
Received from DM Developers	E-6	\$ 217,716		
Received from State of New Jersey	E-10		618,976	
Advanced from Current Fund	E-18		21,000	
Interest on Investments	E-3	1,064		322
Interest Income - Due from Airport Capital	E-20	322		
		<u>219,103</u>		<u>1,953,502</u>
		237,905		2,042,123
Decreased by Disbursements:				
Improvement Authorizations	E-13		1,842,555	
Due to Lessee	E-11		137,943	
Transferred to Operating	E-20		322	
Transferred to Current Fund	E-19	215,000		60,358
		<u>215,000</u>		<u>2,041,178</u>
Balance, December 31, 2018	E	<u>\$ 22,905</u>		<u>\$ 944</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

E-5a

ANALYSIS OF CAPITAL CASH  
DECEMBER 31, 2018 AND 2017

	Balance, December 31, 2018	Balance, December 31, 2017
Fund Balance	\$ 211	\$ 211
Due from FAA	(2,790,705)	(2,229,133)
Due from State of New Jersey	(404,836)	(713,558)
Due to/(from) Lessee	(37,559)	227,438
Due to Current Fund	21,000	60,358
Reserve for Future Improvements	106,517	106,517
Contracts Payable	2,786,653	1,974,582

Ord. No.                      Improvement Authorizations:

19-13	Runway 5-23 Feasibility Phase I		
30-15	Runway 5-23 Keel Rehabilitation	13,072	254,705
40-16	Runway 31 Obstruction Removal	131,000	131,000
23-17	Fuel Farm Safety and Security	144,591	276,500
32-18	Certain Capital Improvements	31,000	
		\$ 944	\$ 88,620

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

E-6

	<u>Ref.</u>	
Balance, December 31, 2017		\$ -
Increased by:		
Lease Rental Accrued	Reserve	217,716
		217,716
Decreased by:		
Cash Receipts	E-5	217,716
		217,716
Balance, December 31, 2018		\$ -

STATEMENT OF FIXED CAPITAL  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-7

	<u>Balance December 31, 2018 and 2017</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
	\$ 62,626,686
	E

Ref.

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-8

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2017</u>	<u>2018 Authorizations Deferred Reserve for Amortization</u>	<u>Cancelled</u>	<u>Balance, December 31, 2018</u>
19-13	Certain Capital Improvements				
27-15	Runway 5-23 Rehabilitation	\$ 5,241,000			\$ 5,241,000
30-15	Runway 5-23 Keel Rehabilitation	2,000,000			2,000,000
29-16	Rehabilitation of Taxiway B	914,671			914,671
32-16	Runway 23 Obstruction Removal	122,552			122,552
40-16	Runway 31 Obstruction Removal	131,000			131,000
23-17	Fuel Farm Safety and Security	276,500			276,500
24-17	Runway 23 Obstr. Removal Phase II	1,151,886			1,151,886
26-17	Environmental Assessment	149,960			149,960
7-18	Certain Capital Improvements		\$ 229,000		229,000
32-18	Certain Capital Improvements		2,083,084		2,083,084
		<u>\$ 9,987,569</u>	<u>\$ 2,312,084</u>	<u>\$ -</u>	<u>\$ 12,299,653</u>
Ref.		E	E-13		E

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM FEDERAL AVIATION ADMINISTRATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-9

	<u>Ref.</u>	
Balance, December 31, 2017	E	\$ 2,229,133
Increased by:		
2018 Improvement Authorizations	E-13	<u>1,874,775</u>
		4,103,908
Decreased by:		
Cash Receipts	E-5	<u>1,313,203</u>
Balance, December 31, 2018	E	<u>\$ 2,790,705</u>

STATEMENT OF DUE FROM STATE OF NEW JERSEY  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-10

	<u>Ref.</u>	
Balance, December 31, 2017	E	\$ 713,558
Increased by:		
2018 Improvement Authorizations	E-13	<u>310,255</u>
		1,023,813
Decreased by:		
Cash Receipts	E-5	<u>618,976</u>
Balance, December 31, 2018	E	<u>\$ 404,836</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM/TO LESSEE  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-11

	<u>Ref.</u>	
Balance, December 31, 2017 (Due from)	E	\$ (227,438)
Increased by:		
2018 Improvement Authorizations	E-13	<u>127,054</u> (100,384)
Decreased by:		
Cash Disbursed	E-5	<u>137,943</u>
Balance, December 31, 2018 (Due to)	E	<u><u>\$ 37,559</u></u>

STATEMENT OF APPROPRIATION RESERVES  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

E-12

	Balance, December 31, <u>2017</u>	Balance After <u>Transfers</u>	<u>Balance Lapsed</u>
Operating:			
Other Expenses	<u>\$ 5,000</u>	<u>                    </u>	<u>\$ 5,000</u>
<u>Ref.</u>	E		E-1

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-13

<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>	<u>Balance</u> <u>December 31,</u> <u>2017 Funded</u>	<u>Grants</u>	<u>Encumbrances</u>	<u>Paid or</u> <u>Charged</u>	<u>Adjusted</u> <u>Encumbrances</u>	<u>Balance</u> <u>December 31,</u> <u>2018 Funded</u>
27-15	Runway 5-23 Professional Fees	\$ 4,998,228			\$ 242,774	\$ 339,523	\$ 582,297	
30-15	Runway 5-23 Keel Rehabilitation	2,000,000	\$ 254,705			241,633		\$ 13,072
29-16	Taxi B East Rehad				128,578		128,578	
32-16	Obstruction Removal Professional Fees	122,552			2,417	49,165	51,582	
40-16	Runway 31 Obstruction Removal	131,000	131,000					131,000
23-17	Fuel Farm Safety and Security	276,500	276,500			131,909		144,591
24-17	Runway 5-23 Obstruction Removal Phase II	1,151,886			194,101	957,785	1,151,886	
26-17	Runway 13-31 Environmental Removal	149,960			38,670	111,290	149,960	
7-18	Certain Capital Improvements	229,000		\$ 229,000	186,750	11,250		31,000
32-18	Certain Capital Improvements	2,083,084		2,083,084	2,083,084			
			<u>\$ 662,205</u>	<u>\$ 2,312,084</u>	<u>\$ 2,876,374</u>	<u>\$ 1,842,555</u>	<u>\$ 2,064,303</u>	<u>\$ 319,663</u>
	<u>Ref.</u>		E	E-8	E-16	E-5	E-16	E
	Due from FAA	E-9		\$ 1,874,775				
	Due from NJDOT	E-10		310,255				
	Due from DM Developers	E-11		127,054				
		E-15		<u>\$ 2,312,084</u>				

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF RESERVE FOR AMORTIZATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-14

	<u>Ref.</u>	
Balance, December 31, 2018 and 2017	E	<u>\$ 62,626,686</u>

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-15

	<u>Ref.</u>	
Balance, December 31, 2017	E	\$ 9,987,569
Increased by:		
New Projects	E-13	<u>2,312,084</u>
		12,299,653
Decreased by:		
Projects Cancelled	E-8	-
Balance, December 31, 2018	E	<u>\$ 12,299,653</u>

<u>Description</u>	Balance, December 31, <u>2018</u>
Runway 5-23 Rehabilitation	\$ 5,241,000
Runway 5-23 Keel Rehabilitation	2,000,000
Runway 5-23 Environmental Mit.	229,000
Runway 13-31 Keel Rehabilitation	2,083,084
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>\$ 12,299,653</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-16

	<u>Ref.</u>	
Balance, December 31, 2017	E	\$ 1,974,581
Increased by:		
Charges to Improvement Authorizations	E-13	2,876,374
		<u>4,850,956</u>
Decreased by:		
Adjustments	E-13	2,064,303
		<u>2,064,303</u>
Balance, December 31, 2018	E	<u><u>\$ 2,786,653</u></u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS  
AIRPORT UTILITY CAPITAL FUND  
DECEMBER 31, 2018

E-17

	<u>Ref.</u>	
Balance, December 31, 2018 and 2017	E	<u><u>\$ 106,517</u></u>

STATEMENT OF DUE TO CURRENT FUND  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2018

E-18

	<u>Ref.</u>	
Balance, December 31, 2017	E	\$ 60,358
Increased by:		
Cash Advanced	E-5	21,000
		<u>81,358</u>
Decreased by:		
Cash Disbursed	E-5	60,358
		<u>60,358</u>
Balance, December 31, 2018	E	<u><u>\$ 21,000</u></u>

TOWN OF MORRISTOWN  
STATEMENT OF DUE TO CURRENT FUND  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

E-19

	<u>Ref.</u>	
Balance, December 31, 2017	E	\$ -
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, 2018	E	<u><u>\$ -</u></u>

STATEMENT OF DUE FROM AIRPORT CAPITAL  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2018

E-20

Balance, December 31, 2017	E	\$ -
Increased by:		
Interest Accrued by Capital	E-3, E-5	322
		<u>322</u>
Decreased by:		
Funds Received by Operating	E-5	322
		<u>322</u>
Balance, December 31, 2018	E	<u><u>\$ -</u></u>

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

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

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$3,000,000	3.53%	\$ 3,475,000	4.17%
Miscellaneous – From Other Than Local				
Property Tax Levies	15,617,006	18.37	14,411,126	17.34
Collection of Delinquent Taxes	529,818	0.62	1,490,350	1.79
Collection of Current Tax Levy	63,891,471	75.15	62,193,985	74.70
Non-Budget Revenue	911,589	1.03	565,719	.68
Other Credits to Income	<u>1,020,440</u>	<u>1.30</u>	<u>1,091,918</u>	<u>1.32</u>
Total Income	<u>85,030,324</u>	<u>100.00%</u>	<u>83,228,343</u>	<u>100.00%</u>
 <b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	42,127,330	50.77%	40,665,318	50.90%
Transfer to Board of Education	197,705	0.24	195,168	0.24
County Taxes	8,121,559	9.79	7,626,937	9.55
Regional School Taxes	<u>32,523,791</u>	<u>39.20</u>	<u>31,408,762</u>	<u>39.31</u>
Total Expenditures	<u>82,970,384</u>	<u>100.00%</u>	<u>79,896,185</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	2,059,940		3,332,158	
Fund Balance, Beginning of Year	<u>14,647,500</u>		<u>14,920,374</u>	
	16,707,440		18,122,5002	
Decreased by: Utilization as Anticipated Revenue	<u>3,000,000</u>		<u>3,475,000</u>	
Fund Balance, End of Year	<u>\$13,707,440</u>		<u>\$14,647,500</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 2018</u>		<u>Year 2017</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	2.37%	\$ 280,000	3.16%
Sewer Rents	7,625,948	90.19	7,959,708	89.40
Miscellaneous Revenue Anticipated	556,701	6.58	589,819	6.62
Miscellaneous Revenue Not Anticipated	120	0.00	372	0.00
Other Credits to Income	<u>72,929</u>	<u>0.86</u>	<u>73,090</u>	<u>0.82</u>
Total Income	<u>8,455,698</u>	<u>100.00%</u>	<u>8,902,989</u>	<u>100.00 %</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Operating	1,955,404	39.51 %	1,955,878	36.62%
Capital Improvements	670,000	13.54	670,000	12.55
Debt Service	2,192,237	44.30	2,579,442	48.31
Def. Charges & Statutory Expenditures	131,000	2.65	131,726	2.47
Interfunds Returned	<u>                    </u>	<u>                    </u>	<u>2,581</u>	<u>0.05</u>
Total Expenditures	<u>4,948,641</u>	<u>100.00%</u>	<u>5,339,627</u>	<u>100.00%</u>
Excess Revenue	3,507,057		3,563,362	
Adjustment to Income Before Fund Balance Anticipated Surplus Appropriated to Current Fund Balance	<u>3,300,000</u>		<u>3,,000,000</u>	
Statutory Excess in Revenue to Fund Balance	207,057		263,362	
Fund Balance, Beginning of Year	<u>600,762</u>		<u>617,400</u>	
	807,819		880,762	
Decreased by:				
Utilization by Sewer Operating Budget	<u>200,000</u>		<u>280,000</u>	
Fund Balance, End of Year	<u>\$ 607,819</u>		<u>\$ 600,762</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 2018</u>		<u>Year 2017</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	5.80%	\$ 15,000	6.49%
Lease Rents	217,716	91.51	210,002	90.90
Non-Budget Revenue	1,386	0.58	1,032	0.45
Other Credits to Income	<u>5,000</u>	<u>2.10</u>	<u>5,000</u>	<u>2.16</u>
Total Income	<u>237,903</u>	<u>100.00%</u>	<u>231,034</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Operating / Surplus Anticipated	<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	226,034		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	17,903		11,034	
Fund Balance, Beginning of Year	<u>13,852</u>		<u>17,818</u>	
	31,755		28,852	
Decreased by:				
Utilized as Anticipated Revenue	<u>13,800</u>		<u>15,000</u>	
Fund Balance, End of Year	<u>\$ 17,955</u>		<u>\$ 13,852</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$ 2.845</u>	<u>\$ 2.760</u>	<u>\$ 2.617</u>
<u>Appointment of Tax Rate</u>			
Municipal	1.006	.922	.922
County	.358	.336	.320
Library	.046	.043	.039
Regional School	1.435	1.389	1.336
<u>Assessed Valuation</u>			
2018	<u>\$2,266,775,955</u>		
2017		<u>\$ 2,261,731,055</u>	
2016			<u>\$ 2,254,659,255</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>
2018	\$ 64,567,541	\$ 63,891,471	98.95%
2017	62,791,352	62,193,985	99.04%
2016	60,719,526	59,100,016	97.33%

**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>
2018	\$ 529,825	\$ 129,251	\$ 659,076	1.02%
2017	525,112	119,139	644,251	1.02%
2016	1,549,749	105,734	1,655,483	2.80%

**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>
2018	\$ 2,193,200
2017	2,193,200
2016	2,193,200

**Comparison of Sewer Utility Levies and Collections**

<u>Year</u>	<u>Levy</u>	<u>Cash Collections (*)</u>	<u>Percentage of Collection</u>
2018	\$ 7,608,666	\$ 7,625,948	100.23%
2017	7,923,713	7,959,708	100.45%
2016	8,567,546	8,267,766	96.50%

\* 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	2018	\$13,707,440	\$ 2,900,000
	2017	14,647,500	3,000,000
	2016	14,790,342	3,475,000
Sewer Utility Operating Fund	2018	\$ 607,819	\$ 200,000
	2017	600,762	200,000
	2016	617,400	280,000
Airport Utility Operating Fund	2018	\$ 17,955	\$ 13,800
	2017	13,852	13,800
	2016	17,818	15,000

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

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**PART III  
GOVERNMENT AUDITING STANDARDS  
AND  
SINGLE AUDIT SECTION  
YEAR ENDED DECEMBER 31, 2018**

**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, 2018, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated August 29, 2019, 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  
August 29, 2019

*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, 2018. 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, 2018.

PKF O'CONNOR DAVIES, LLP  
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | [www.pkfod.com](http://www.pkfod.com)

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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*

August 29, 2019  
Cranford, New Jersey

*David J. Gannon*

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, 2018

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	2018 Cash Received	12/31/18 Expenditures	Cumulative Expenditures
<u>US Department of Justice</u>								
Equitable Sharing	NJ0142400	16.922	Not applicable	Not applicable	\$ 1,597,831	\$ 80,458	\$ 305,742	\$ 1,597,112
Total US Department of Justice					<u>1,597,831</u>	<u>80,458</u>	<u>305,742</u>	<u>1,597,112</u>
<u>US Department of Homeland Security</u>								
Federal Emergency Management Agency		97.036	Not applicable	Not applicable	425,000		425,000	425,000
Total US Department of Homeland Security					<u>425,000</u>		<u>425,000</u>	<u>425,000</u>
<u>US Department of Transportation</u>								
<u>Airport Improvement Program:</u>	6070-100-XXX	20.106	Not applicable	Not applicable				
2013 Environmental Assessment Runway 5-23					958,356			123,239
2015 Various Capital Improvements					4,716,900			3,025,474
2015 Various Capital Improvements					823,204			535,950
2015 Runway 5-23 Rehabilitation FAA Fees 27-15					4,347,000	338,293	305,571	1,283,337
2016 Improvements Rehabilitation of Taxiway B 29-16					823,204			171,534
2016 Runway 23 Obstruction Removal 32-16					110,095	11,587	44,249	140,844
2017 Fuel Farm and Security 23-17								118,718
2017 Runway 5-23 Obstruction Removal Phase II					1,036,697	862,359	862,006	862,006
2017 Runway 13-31 Environmental Removal					134,964	100,965	100,161	100,161
2018 Certain Capital Improvementd 7-18								-
Total Airport Improvement Program					<u>12,950,420</u>	<u>1,313,204</u>	<u>1,311,987</u>	<u>6,361,263</u>
<u>Highway Planning and Construction</u>	6320-480-AJ3	20.205	078-6320-480	Not applicable				
<u>Passed Through New Jersey Department of Transportation</u>								
Improvement to South Street (Ord 2008-20)					252,000			219,563
NJ DOT Local Aid Infrastructure-Cory Road					75,918			7,687
NJ DOT Municipal Aid Program-Abbett Ave (11)					150,000			147,494
NJ DOT Safe Streets to Transit					85,000			56,582
Pedestrian Safety Washington Street Phase II					250,000	129,535		228,583
Pedestrian Safety Washington Street Phase III					245,000		245,000	245,000
Total Highway Planning and Construction					<u>1,057,918</u>	<u>129,535</u>	<u>245,000</u>	<u>904,909</u>
<u>Highway Training and Education</u>	Not available	20.215	066-1160-100	Not applicable				
<u>Passed Through New Jersey Department of Transportation</u>								
2015 Pedestrian Safety, Education and Enforcement Fund					14,986			14,413
Total Highway Training and Education					<u>14,986</u>			<u>14,413</u>
<u>Highway Traffic Safety</u>	Not available	20.616	Not applicable	Not applicable				
<u>Passed Through New Jersey Department of Transportation</u>								
Distracted Driving Incentive					5,500			2,008
Total Highway Traffic Safety					<u>5,500</u>			<u>2,008</u>
<u>Occupant Protection Incentive Grants</u>	Not available	20.602	066-1160-100	Not applicable				
<u>Passed Through New Jersey Department of Transportation</u>								
Click-it or Ticket					5,000			4,834
Total Occupant Protection Incentive Grants					<u>5,000</u>			<u>4,834</u>
Total U.S. Department of Transportation					<u>14,033,824</u>	<u>1,442,739</u>	<u>1,556,987</u>	<u>7,287,427</u>
<b>TOTAL FEDERAL AWARDS</b>					<u>\$ 16,056,655</u>	<u>\$ 1,523,197</u>	<u>\$ 2,287,729</u>	<u>\$ 9,309,539</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, 2018**

**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, 2018**

*Section I – Summary of Auditor’s 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       No

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, 2018**

*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, 2018**

**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 Kane	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		
Richard Fernicola	Superintendent of Public Works		
Joel Rutkowski	Public Works Supervisor		
John Dean	Wastewater Treatment Supervisor		
Vijayant Pawar	Director of Law/Municipal Attorney		
Elnardo Webster	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
Dave Yogesh	Deputy Court Administrator		
Denise Hughey	Deputy Court Administrator		
K. Peter Demnitz	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		
Edward Pehowic, Jr.	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, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes and sewer accounts:

BE IT FURTHER RESOLVED that the interest charged on 2018 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 2018. 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>
2018	3
2017	3
2016	5

**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**

### **Vouchers\* and Local Public Law Contract Testing**

It was noticed that certain invoices were covered by confirming orders, which is not in accordance with the New Jersey Administrative Code. Also, during our test it was noted that two out of the five sample selected had no record of a quote being obtained.

### **Animal Control Testing**

During our test of animal licenses, it was noted that several months fees for the three-year licenses was not remitted to the State. As per NJ State law it required that pilot, population and the registration fees be remitted to the State monthly.

### **General and Subsidiary Ledgers**

It was noted that the general ledger of the various funds are not being reconciled and agreed to subsidiary ledgers, including capital ordinances, encumbrances and taxes.

## **RECOMMENDATIONS**

1. The use of confirming orders should be eliminated.\* Also we recommend that Town's management implement procedures to ensure that all requests for quotes are kept on file.
2. We recommend that Towns' management implement procedures to ensure that payments to State for Animal Control Licenses are made timely.
3. General ledgers and subsidiary ledgers should be reconciled on a monthly basis.

**TOWN OF MORRISTOWN  
COMMENTS AND RECOMMENDATIONS**

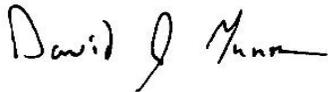
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A review was performed on all prior year recommendations and corrective action was taken on all, except those recommendations denoted with an asterisk (\*).

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*

August 29, 2019  
Cranford, New Jersey



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