

**BOROUGH OF CALIFON
COUNTY OF HUNTERDON
STATE OF NEW JERSEY**

**REPORT OF AUDIT
DECEMBER 31, 2020**

BOROUGH OF CALIFON

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2020

AUDITORS' REPORTS



ARDITO & COMPANY LLC

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Califon
P.O. Box 368
County of Hunterdon, Califon, New Jersey 07830

Report on the Financial Statements

We have audited the accompanying financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Borough of Califon, County of Hunterdon, State of New Jersey (the "Borough"), as of December 31, 2020 and 2019, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2020, which collectively comprise the Borough's basic financial statements 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 accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes 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; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

-Continued-

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 to the financial statements, the Borough prepares its financial statements in conformity with regulatory basis accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive 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 regulatory basis of accounting 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 Borough's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2020 and 2019, or the results of its operations and changes in its fund balances for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Borough, as of December 31, 2020 and 2019, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the years then ended, in conformity with accounting principals and practices as described in Note 1 to the financial statements.

Emphasis of Matter

As described in Note 16 to the financial statements, in March 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" in response to the coronavirus outbreak, and New Jersey Governor Murphy has declared a state of emergency via Executive Order 103 on March 9, 2020 in response to the coronavirus outbreak. Given the ongoing uncertainty of the situation, the duration of any municipal operational disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements-regulatory basis. The supplementary information listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements-regulatory basis.

-Continued-

The supplementary information exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements-regulatory basis 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-regulatory basis, or to the basic financial statements-regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the Supplementary information referred to above.

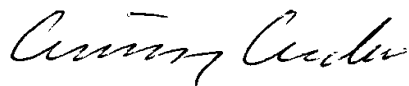
Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated May 15, 2021, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Borough's internal control over financial reporting and compliance.

ARDITO & COMPANY LLC



Frenchtown, New Jersey
May 15, 2021



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & COMPANY LLC
Frenchtown, New Jersey
May 15, 2021

FINANCIAL STATEMENTS

COMPARATIVE BALANCE SHEET

A

		BALANCE		BALANCE
	REF.	<u>12/31/20</u>		<u>12/31/19</u>
ASSETS				
Cash and Cash Equivalents:				
Cash - Treasurer	A-4	\$ 1,497,482	\$	639,113
Due From State of New Jersey-Veterans and Sr. Citizens Deductions	A-17	<u>533</u>		<u>533</u>
Subtotal		<u>1,498,015</u>		<u>639,646</u>
Receivables And Other Assets With Full Reserves:				
Delinquent Property Taxes Receivable	A-6	80,772		112,673
Amount Due From Other Trust Fund - Municipal Open Space Tax	A-16	8,936		-
Amount Due from Federal and State Grants Fund	A	-		115,708
Amount Due from Other Trust Fund	B	44,723		27,588
Amount Due from Animal Control Fund	B	3,279		282
Amount Due from General Capital Fund	C	<u>-</u>		<u>30,492</u>
Subtotal		<u>137,710</u>		<u>286,743</u>
Deferred Charges:				
Deficit in Operations	A-1	<u>-</u>		<u>46,396</u>
Subtotal - Current Fund		<u>1,635,725</u>		<u>972,785</u>
Federal And State Grant Fund:				
State Grants Receivable	A-19	139,508		419,508
Amount Due From Current Fund	A	<u>158,017</u>		<u>-</u>
Subtotal		<u>297,525</u>		<u>419,508</u>
TOTAL ASSETS		<u>\$ 1,933,250</u>		<u>\$ 1,392,293</u>

LIABILITIES, RESERVES AND FUND BALANCE

Liabilities:				
Appropriation Reserves	A-3:8	\$ 90,705	\$	52,259
Amount Due To Federal And State Grant Fund	A	158,017		-
Amount Due To Other Trust Fund	B	4,430		4,866
Amount Due To General Capital Fund	C	466,357		-
Taxes Collected In Advance	A-10	23,278		10,125
Tax Overpayments	A-11	22,172		40,533
Payroll Deductions Payable	A-12	1,442		1,252
Amount Due County For Added Taxes	A-13	121		828
Local School Taxes Payable	A-14	55,636		28,074
Regional High School Taxes Payable	A-15	373,235		384,656
Amount Due To Other Trust Fund - Municipal Open Space Tax	A-16	-		1,428
Reserve for Deposits	A-18	<u>6</u>		<u>6</u>
Subtotal		<u>1,195,399</u>		<u>524,027</u>
Reserve For Receivables And Other Assets	A	137,710		286,743
Fund Balance	A-1	<u>302,616</u>		<u>162,015</u>
Subtotal - Current Fund		<u>1,635,725</u>		<u>972,785</u>
Federal And State Grant Fund:				
Amount Due From Current Fund	A	-		115,708
Reserve For State Grants	A-20	<u>297,525</u>		<u>303,800</u>
Subtotal		<u>297,525</u>		<u>419,508</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 1,933,250</u>		<u>\$ 1,392,293</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE

	REF.	YEAR 2020	YEAR 2019
A-1			
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 115,000	\$ 116,000
Miscellaneous Revenue Anticipated	A-2	196,042	1,096,155
Receipts From Delinquent Taxes	A-2	115,294	86,824
Receipts from Current Taxes	A-2	5,045,970	4,946,291
Non-Budget Revenues	A-2	18,989	23,023
Other Credits To Income:			
Interfund Receivables Returned	C	70,737	
Unexpended Balance Of Appropriation Reserves	A-8	<u>43,404</u>	<u>26,541</u>
Total Income		<u>5,605,436</u>	<u>6,294,834</u>
EXPENDITURES			
Budget and Emergency Appropriations:			
Appropriations Within "CAP":			
Operations:			
Salaries and Wages	A-3	226,628	220,396
Other Expenses	A-3	357,579	351,939
Deferred Charges and Statutory Expenditures	A-3	80,081	33,042
Appropriations Excluded From "CAP":			
Operations:			
Other Expenses	A-3	342,105	1,277,456
Capital Improvements	A-3	36,500	30,500
Debt Service	A-3	96,552	96,391
County Taxes	A-13	568,818	560,648
Amount Due County For Added and Omitted Taxes	A-13	121	828
Local District School Taxes	A-14	2,434,520	2,379,400
Regional High School Taxes	A-15	1,177,608	1,200,449
Municipal Open Space	A-16	29,323	29,187
Interfunds Advanced - Grants/General Capital	A-4	<u>-</u>	<u>160,994</u>
Total Expenditures		<u>5,349,835</u>	<u>6,341,230</u>
Excess in Revenue		255,601	(46,396)
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A	<u>-</u>	<u>46,396</u>
Statutory Excess to Fund Balance		255,601	-
Fund Balance January 1	A	<u>162,015</u>	<u>278,015</u>
		417,616	278,015
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>115,000</u>	<u>116,000</u>
Fund Balance December 31	A	<u>\$ 302,616</u>	<u>\$ 162,015</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 1

	<u>REF.</u>	<u>ANTICIPATED</u> <u>BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>DEFICIT</u>
Fund Balance Anticipated	A-2	\$ 115,000	\$ 115,000	
Miscellaneous Revenues:				
Local Revenues:				
Licenses:				
Alcoholic Beverages	A-7	5,000	5,063	\$ 63
Interest and Costs On Taxes	A-5	11,874	20,982	9,108
Interest on Investments	A-7	3,900	3,120	(780)
Total Local Revenues		20,774	29,165	8,391
State Aid:				
Energy Receipts Tax	A-7	115,251	115,251	-
Total State Aid		115,251	115,251	-
Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services- Public and Private Revenues:				
Clean Communities Grant	A-19	4,000	4,000	
Total Special Items Of Revenues		4,000	4,000	-
Other Special Items:				
Capital Fund Balance	C-1	1,230	1,230	-
Interfund Receivable Anticipated	A-3	46,396	46,396	
Total Other Special Items		47,626	47,626	-
Total Miscellaneous Revenue	A-2	187,651	196,042	8,391
Receipts From Delinquent Taxes	A-2	37,500	115,294	77,794
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax For Municipal Purposes	A-2	927,406	963,569	36,163
Total General Revenues		1,267,557	1,389,905	122,348
Other Non-Budget Revenues	A-2		18,989	18,989
		\$ 1,267,557	\$ 1,408,894	\$ 141,337

A-3

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

	<u>REF.</u>	
<u>ANALYSIS OF REALIZED REVENUES</u>		
Allocation Of Current Tax Collections:		
Revenue from Collections	A-6	\$ 5,040,970
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>5,000</u>
	A-1	5,045,970
Allocated To:		
School, County, and Municipal Open Space Taxes	A-6	<u>4,210,390</u>
Balance for Support Of Municipal Budget Appropriations		835,580
Add by: Appropriation "Reserve For Uncollected Taxes"	A-3	<u>127,989</u>
Amount For Support Of Municipal Budget Appropriations	A-2	<u>\$ 963,569</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 3

<u>ANALYSIS OF NON-BUDGET REVENUES</u>	<u>REF.</u>	
Miscellaneous Revenue Not Anticipated:		
Food Licenses	\$	1,329
Copies		1
T.V. Cable Franchise Tax		3,622
Perc Tests		125
Zoning Permits		560
Fire Inspections		6,487
Payroll Deductions		4,096
Miscellaneous		608
Rental Permits		160
Road Openings		150
Vital Statistics		<u>1,656</u>
Treasurer	A-4	<u>\$ 18,794</u>
Collector	A-5	<u>195</u>
		<u>\$ 18,989</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 1

<u>OPERATIONS-Within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>		<u>CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
GENERAL GOVERNMENT FUNCTIONS:					
General Administration:					
Salaries and Wages	\$ 41,113	\$ 41,113	\$ 37,624	\$ 3,489	
Other Expenses:					
Legal Advertising	4,000	4,000	4,000	-	
Miscellaneous Other Expenses	19,000	19,000	10,044	8,956	
Human Resources (Personnel):					
Education Program for Employees	1,500	1,500	425	1,075	
Mayor and Council:					
Salaries and Wages	8,500	8,500	8,500	-	
Municipal Clerk:					
Salaries and Wages	61,051	61,051	61,051	-	
Financial Administration (Treasury):					
Salaries and Wages:					
Salaries and Wages - All Other	37,644	37,644	37,644	-	
Other Expenses	500	500	245	255	
Audit Services:					
Other Expenses	21,900	21,900	21,800	100	
Computerized Data Processing:					
Other Expenses	15,155	15,155	12,608	2,547	
Revenue Administration (Tax Collection):					
Salaries and Wages:					
Salaries and Wages - All Other	11,717	11,717	11,717	-	
Other Expenses	900	900	757	143	
Tax Assessment Administration:					
Salaries and Wages	19,447	19,447	15,606	3,841	
Other Expenses:					
Other Professional, Consultant & Spec. Serv.	500	500	380	120	
Miscellaneous Other Expenses	500	500	-	500	
Legal Services (Legal Dept.):					
Other Expenses	9,580	9,580	6,629	2,951	
Engineering Services:					
Other Expenses	8,000	8,000	2,430	5,570	
Historical Sites Office:					
Other Expenses	700	700	-	700	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 2

<u>OPERATIONS-Within "CAPS"</u>	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
LAND USE ADMINISTRATION:					
Planning Board:					
Salaries and Wages	9,547	9,547	8,988	559	
Other Expenses:					
Legal Services	1,500	1,500	-	1,500	
Other Professional, Consultant & Spec. Serv.	3,500	3,500	675	2,825	
Miscellaneous Other Expenses	500	500	449	51	
Zoning Board of Adjustment(Zoning Officer):					
Salaries and Wages	9,673	9,673	9,618	55	
Other Expenses	150	150	-	150	
INSURANCE:					
Liability Insurance	19,700	19,700	19,133	567	
Worker Compensation Insurance	15,300	15,300	14,813	487	
Employee Group Insurance	12,570	12,570	12,044	526	
Unemployment Insurance	1,200	1,200	789	411	
PUBLIC SAFETY FUNCTIONS:					
Police Department:					
Salaries and Wages:					
Temporary and Seasonal	18,045	18,045	9,630	8,415	
Other Expenses	1,000	1,000	50	950	
Office of Emergency Management:					
Other Expenses	1,500	1,500	-	1,500	
Aid to Volunteer Fire Companies	25,000	25,000	25,000	-	
Contribution to First Aid Organizations	17,500	17,500	17,500		
Fire Department:					
Salaries and Wages	6,120	6,120	4,838	1,282	
Other Expenses:					
Fire Hydrant Services	16,000	16,000	15,984	16	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 3

<u>OPERATIONS-Within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>		
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>RESERVED</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>	<u>CANCELLED</u>
PUBLIC WORKS FUNCTIONS:				
Streets and Road Maintenance:				
Salaries and Wages	100	100	-	100
Other Expenses	91,224	91,224	84,019	7,205
Solid Waste Collection(Recycling Program):				
Other Expenses	8,000	8,000	7,822	178
Buildings and Grounds:				
Other Expenses	16,600	16,600	7,546	9,054
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Public Health Services(Board Of Health):				
Salaries and Wages	3,269	3,269	3,269	-
Other Expenses	2,000	2,000	250	1,750
Environmental Health Services:				
Salaries and Wages	402	402	402	
Other Expenses	500	500	375	125
Animal Control Services:				
Other Expenses	2,500	2,500	2,071	429
Contribution to Social Services Agencies:				
Miscellaneous Other Expenses	700	700	-	700
PARK AND RECREATION FUNCTIONS:				
Recreation Services and Programs:				
Other Expenses	6,100	6,100	2,313	3,787
Maintenance of Parks:				
Other Expenses	500	500	-	500
EDUCATION FUNCTIONS (Includes Library):				
Municipal Library:				
Other Expenses	100	100	-	100

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 4

<u>OPERATIONS-Within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELLED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
OTHER COMMON OPERATING FUNCTIONS(Unclassified):					
Celebration of Public Events					
Other Expenses	4,000	4,000	384	3,616	
UTILITY EXPENSES AND BULK PURCHASES:					
Electricity	4,190	3,790	2,764	1,026	
Street Lighting	9,000	9,000	7,722	1,278	
Telephone (excluding equipment acquisition)	6,310	6,710	6,446	264	
Water	190	190	165	25	
Gas (natural or propane)	2,700	2,700	1,658	1,042	
Municipal Court:					
Other Expenses	5,310	5,310	3,077	2,233	
Total Operations - Within "CAPS "	584,207	584,207	501,254	82,953	-
Detail:					
Salaries and Wages	226,628	226,628	208,887	17,741	-
Other Expenses	357,579	357,579	292,367	65,212	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES Within "CAPS":					
Statutory Expenditures :					
Social Security System (O.A.S.I.)	14,149	14,149	13,211	938	
Contribution to PERS	18,856	18,856	17,682	1,174	
DCRP Retirement Program	680	680	390	290	
Deficit in Operations	46,396	46,396	46,396		
Total Deferred Charges and Statutory Expenditures-within "CAPS"	80,081	80,081	77,679	2,402	-
Total General Appropriations for Municipal Purposes Within "CAPS"	664,288	664,288	578,933	85,355	-

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

	<u>APPROPRIATION</u>		<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>		
OPERATIONS-EXCLUDED from "CAPS"					
Fire Department:					
Other Expenses (LOSAP)	23,500	23,500	18,150	5,350	
Total Other Operations-Excluded from "CAPS"	23,500	23,500	18,150	5,350	-
Interlocal Municipal Service Agreements:					
Police Department:					
Other Expenses	314,605	314,605	314,605		
Total Interlocal Municipal Service Agreements:	314,605	314,605	314,605	-	-
Public and Private Programs					
Offset by Revenues:					
Clean Communities Program:					
Other Expenses	4,000	4,000	4,000	-	
Total Public and Private Programs Offset by Revenues-Excluded from "CAPS"	4,000	4,000	4,000	-	
Total Operations-Excluded from "CAPS"	342,105	342,105	336,755	5,350	-
Detail:					
Other Expenses	342,105	342,105	336,755	5,350	-

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 6

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
Capital Improvements-Excluded from "CAPS"					
Capital Improvement Fund	36,500	36,500	36,500	-	
Total Capital Improvements-Excluded from "CAPS"	36,500	36,500	36,500		
Municipal Debt Service:					
Payment of Notes	17,400	17,400	17,400		
Payment of Interest on Notes	2,639	2,639	2,516	\$	123
NJEIT Loan-Repaymnt Prin and Int	76,636	76,636	76,636		
Total Municipal Debt Service	96,675	96,675	96,552		123
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	475,280	475,280	469,807	5,350	123
Subtotal General Appropriations	1,139,568	1,139,568	1,048,740	90,705	123
Reserve For Uncollected Taxes	127,989	127,989	127,989		
TOTALS	\$ 1,267,557	\$ 1,267,557	\$ 1,176,729	\$ 90,705	\$ 123

REF.		A	A-1
Original Budget	\$ 1,267,557		
	<u>\$ 1,267,557</u>		

	<u>REF.</u>	
Reserve for State Grants	A-20	\$ 4,000
Capital Improvement Fund	C-7	36,500
Reserve for Encumbrances	A-9	1,008,240
Reserve for Uncollected Taxes	A-2	<u>127,989</u>
		<u>\$ 1,176,729</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TRUST FUND
COMPARATIVE BALANCE SHEET

B

		<u>BALANCE</u>	<u>BALANCE</u>
	<u>REF.</u>	<u>12/31/20</u>	<u>12/31/19</u>
ASSETS			
Dog License Fund:			
Cash and Cash Equivalents	B-2	\$ 3,392	\$ 294
Total Dog License Fund		<u>3,392</u>	<u>294</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-2	369,285	347,973
Amount Due From Current Fund	B-6	<u>4,430</u>	<u>6,294</u>
Total Other Trust Funds		<u>373,715</u>	<u>354,267</u>
TOTAL ASSETS		<u>\$ 377,107</u>	<u>\$ 354,561</u>

LIABILITIES, RESERVES AND FUND BALANCE

Dog License Fund:			
Amount Due To Current Fund	B-5	\$ 3,279	\$ 282
Due State Of New Jersey	B-4	-	-
Reserve for Dog Fund Expenditures	B-3	<u>113</u>	<u>12</u>
Total Dog License Fund		<u>3,392</u>	<u>294</u>
Other Trust Fund:			
Amount Due to Current Fund	B-6	53,659	27,588
Reserve for Escrow Deposits	B-7	110,069	106,490
Reserve for COAH Deposits	B-8	62,574	62,400
Reserve for LOSAP Deposits	B-9	35,446	35,347
Reserve for Open Space Deposits	B-10	107,537	117,576
Reserve for Celebration of Public Events Trust Deposits	B-11	<u>4,430</u>	<u>4,866</u>
Total Other Trust Fund		<u>373,715</u>	<u>354,267</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 377,107</u>	<u>\$ 354,561</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

		<u>BALANCE</u>	<u>BALANCE</u>
	<u>REF.</u>	<u>12/31/20</u>	<u>12/31/19</u>
ASSETS			
Accounts Receivable	C-3	\$ 89,689	\$ 219,778
Amount Due Current Fund	C-4	466,357	-
Deferred Charges To Future Taxation:			
Funded	C-5	1,118,675	1,185,486
Unfunded	C-6	<u>750,100</u>	<u>768,600</u>
TOTAL ASSETS		<u>\$ 2,424,821</u>	<u>\$ 2,173,864</u>

LIABILITIES, RESERVES AND FUND BALANCE

Capital Improvement Fund	C-7	\$ 93,542	\$ 57,042
Amount Due Current Fund	C-4	-	30,492
Bond Anticipation Notes	C-9	750,100	68,600
New Jersey Environmental Infrastructure Trust Loan	C-11	1,052,164	1,118,975
Improvement Authorizations - Funded	C-8	163,031	195,966
Improvement Authorizations - Unfunded	C-8	365,984	701,559
Capital Fund Balance	C-1	<u>-</u>	<u>1,230</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 2,424,821</u>	<u>\$ 2,173,864</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE

C-1

	<u>REF.</u>	
Balance December 31, 2019	C	\$ 1,230
Decreased By:		
Revenue Anticipated in Current Fund	C-4	<u>\$ 1,230</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

E

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/20</u>	<u>BALANCE</u> <u>12/31/19</u>
ASSETS			
Cash and Cash Equivalents	E-1	<u>\$ 12,875</u>	<u>\$ 12,839</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance		<u>\$ 12,875</u>	<u>\$ 12,839</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS
STATEMENT OF GENERAL FIXED ASSETS

DECEMBER 31, 2020

F

	BALANCE <u>12/31/19</u>	BALANCE <u>12/31/20</u>
General Fixed Assets:		
Land	\$ 209,300	\$ 209,300
Buildings	646,115	646,115
Machinery and Equipment	<u>33,072</u>	<u>33,072</u>
Total General Fixed Assets	<u>\$ 888,487</u>	<u>\$ 888,487</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

GASB Statement No.14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Borough to be reported separately.

The financial statements of the Borough of Califon include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as The financial statements of the Borough do not include the operations of the Board of Education.

B. Description of Funds

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

The accounting policies of the Borough of Califon conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Califon accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

Current Fund

Resources and expenditures for governmental operations of a general nature, including State grants for operations.

Trust Funds

Records the receipts, disbursement and custodianship of monies in accordance with the purpose for which each account was established.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

General Capital Fund

The receipts and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

Public Assistance Fund

Receipt and disbursements of funds that provide assistance to certain residents of the Borough pursuant to the provisions of Title 44 of New Jersey statutes.

General Fixed Assets Account Group

To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues--are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from State grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible of accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body.

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Property Tax Revenue--Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, Open Space 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 to the County by the Township quarterly on February 15, May 15, August 15 and November 15. The Open Space Levy is paid quarterly to the Township's other trust funds on February 15, May 15, August 15 and November 15.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

When unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears after the eleventh day of the eleventh month in the year in which they are due, the collector in the municipality shall, subject to provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

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 taxes receivable and tax title liens that are uncollectible. GAAP required tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Deferred School Taxes--A portion of the school taxes collected at December 31 relating to the period January 1 to June 30 of the subsequent year have been included in fund balance. GAAP requires such revenue to be deferred and recognized in the accounting period when it becomes susceptible to accrual.

Foreclosed Property--Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds--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.

Inventories of Supplies--The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

General Fixed Assets--In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the municipality develops a fixed asset accounting and reporting system.

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 and drainage systems are not capitalized.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation is to be 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.

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

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Budget and Budgetary Procedures--The foundation of the New Jersey local finance system is the annual cash basis budget required under the Local Budget Law (N.J.S.A.40A:4-1, et seq.). Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The normal budget calendar begins early in the fiscal year with introduction, public advertisement and after state approval, budget adoption. The cash basis for revenues and budgetary basis for expenditures is the budget basis of accounting.

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

General Capital Fund
Public Assistance Fund
Trust fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption, must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, 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. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

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

Tax Appeals and Other Contingent Losses--Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Deferred Charges to Future Taxation Funded and Unfunded--Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A.40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the municipality'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.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Departures from Generally Accepted Accounting Principles--The accounting principles and practices followed by the Borough differ generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such difference.

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

Note 2: CASH AND CASH EQUIVALENTS

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 2: CASH AND CASH EQUIVALENTS (Continued)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2020, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

As of December 31, 2020, cash and cash equivalents of the municipality consisted of the following:

	Cash and Cash <u>Equivalents</u>	<u>Total</u>
Checking	\$ 1,883,034	\$ 1,883,034
	<u>\$ 1,883,034</u>	<u>\$ 1,883,034</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2020, was \$1,883,034 and the bank balance was \$1,990,691. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,740,691 was covered by collateral pool.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3: LONG-TERM DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal expenditures. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued by temporarily finance capital projects, must be paid off within ten years or retired by issuance of bonds.

The Borough debt is summarized as follows:

Summary of Municipal Debt

	YEAR <u>2020</u>	YEAR <u>2019</u>	YEAR <u>2018</u>
Issued			
General:			
Bonds and Notes	\$ 1,802,264	\$ 1,187,575	\$ 1,271,786
Total Deductions	NONE	NONE	NONE
Net Debt Issued	<u>\$ 1,802,264</u>	<u>\$ 1,187,575</u>	<u>\$ 1,271,786</u>
Authorized But Not Issued			
Total Authorized But Not Issued	\$ 66,511	\$ 766,511	\$ 66,511
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 1,868,775</u>	<u>\$ 1,954,086</u>	<u>\$ 1,338,297</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.246%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 146,176	\$ 146,176	-
Local School District Debt	170,000	170,000	-
General Debt	<u>1,868,775</u>	<u>-</u>	<u>\$ 1,868,775</u>
	<u>\$ 2,184,951</u>	<u>\$ 316,176</u>	<u>\$ 1,868,775</u>

Net Debt \$ 1,868,775	Divided by Equalized Valuation Basis per	
N.J.S.A. 40A:2-2 as amended, \$ 150,019,081	=	1.246%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3: LONG-TERM DEBT - (Continued)

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 5,250,668
Net Debt	<u>1,868,775</u>
Remaining Borrowing Power	<u>\$ 3,381,893</u>

General Obligation Loans

General Obligation Loan-Main Street Storm Water Management System-dated May 26, 2016 with the State of New Jersey, Department of Environmental Protection, New Jersey Environmental Infrastructure Trust Financing Program in the original amount of \$1,018,949. This loan is payable in semi-annual installments ranging from \$17,270 to \$34,541 through August 1, 2035. This loan is an interest free loan. The remaining balance as of December 31, 2020, was \$777,164. Outstanding loan principal and interest is paid from the Current Fund budget.

General Obligation Loan-Main Street Storm Water Management System-dated May 26, 2016 with the State of New Jersey, Department of Environmental Protection, New Jersey Environmental Infrastructure Trust Financing Program in the original amount of \$325,000. This loan is payable in annual principal installments ranging from \$10,000 to \$20,000 through August 1, 2035. Interest is calculated at 2.0% - 5.00% and is payable in semi-annual installments. The remaining balance as of December 31, 2020, was \$275,000. Outstanding loan principal and interest is paid from the Current Fund budget.

Bond Anticipation Notes

The Borough has outstanding at December 31, 2020, bond anticipation notes in the amount of \$750,100 payable to Peapack-Gladstone Bank. These notes mature on April 1, 2021. The interest rate on the notes are 2.47% per annum. Principal and interest on this note is paid from the current fund budget.

	<u>Debt</u>
	<u>Outstanding</u>
General Obligation Loans Above	\$ 1,052,164
Bond Anticipation Notes Above	<u>750,100</u>
Total Debt Issued and Outstanding	<u>\$ 1,802,264</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3: LONG-TERM DEBT - (Continued)

B. Debt Service Requirements:

Debt Service requirements on loans payable at December 31, 2020, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 66,811	\$ 9,075	\$ 75,886
2022	66,811	8,325	75,136
2023	66,811	7,575	74,386
2024	66,811	6,825	73,636
2025	66,811	6,225	73,036
Thereafter	<u>718,109</u>	<u>30,150</u>	<u>748,259</u>
	<u>\$ 1,052,164</u>	<u>\$ 68,175</u>	<u>\$ 1,120,339</u>

Note 4: GENERAL FIXED ASSETS

The following is a summary of changes in the general fixed assets:

	Balance <u>Beginning of Year</u>	Balance <u>End of Year</u>
Land	\$ 209,300	\$ 209,300
Buildings	646,115	646,115
Equipment	<u>33,072</u>	<u>33,072</u>
	<u>\$ 888,487</u>	<u>\$ 888,487</u>

Note 5: FUND BALANCES APPROPRIATED

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

Current Fund - \$120,000*

*Approved (Introduced) Budget

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2020 there were no deferred charges that are required to be raised in succeeding budgets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 7: SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough of Califon had elected in 1975 to raise local district school taxes on a calendar year basis.

Local District Tax and Regional High School Tax have been raised and liabilities deferred by statute (under provisions of C.63, P.L.1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	TOTAL DEFERRED TAX <u>12/31/20</u>	LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/20</u>	BALANCE <u>12/31/19</u>	TOTAL DEFERRED TAX <u>12/31/19</u>	REGIONAL HIGH SCHOOL TAX BALANCE <u>12/31/20</u>	BALANCE <u>12/31/19</u>
Balance of Tax		\$ 55,636	28,074		\$ 588,802	\$ 600,223
Deferred		<u>NONE</u>	<u>NONE</u>		<u>215,567</u>	<u>215,567</u>
Tax Payable		<u>\$ 55,636</u>	<u>28,074</u>		<u>\$ 373,235</u>	<u>\$ 384,656</u>
Tax Deferred	<u>\$ 215,567</u>			<u>\$ 215,567</u>		

Note 8: PENSION PLANS

Description of Plans - All required employees of the municipality are covered by either the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Plan (DCRP) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 8: PENSION PLANS - (Continued)

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

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

The following represents the membership tiers for PERS:

Tier Definition

- 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 to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

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

The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The current PERS rate is 6.5% of covered payroll.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 8: PENSION PLANS (Continued)

Summary of Significant Accounting Policies - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability or related deferred outflows or inflows of resources on their balance sheets, or related plan pension expense. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Accordingly, the municipality's portion of the net pension liability, related outflows and inflows of resources, and pension expense are for disclosure purposes only and do not effect the municipality's regulatory basis fund balance, statement of revenues and expenditures, or operations. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense as required by GASB No. 68, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

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

At June 30, 2020, the municipality disclosed a liability of \$327,543 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This is a departure from generally accepted accounting principles, as the measurement date is to be no more than twelve months before the municipality's fiscal year end of December 31, 2020. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2019 and 2018. At June 30, 2020, the municipality's proportion was 0.00182% which was a decrease of 0.00002% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the municipality's portion of the plan's pension expense was \$8,179. At June 30, 2020, deferred outflows of resources and deferred inflows of resources for PERS relating to the municipality's proportionate share are from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 5,879	\$ 1,447
Changes of assumptions	32,706	113,689
Net difference between projected and actual earnings on pension plan investments	-	5,170
Changes in proportion and differences between municipality contributions and proportionate share of contributions	1,332	12,832
Total	<u>\$ 39,917</u>	<u>\$ 133,138</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 8: PENSION PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the plan as follows:

	<u>Year Ended June 30:</u>	
	2020	2021
	\$10,789	34,999
	31,252	14,674
	<u>1,507</u>	<u>\$93,221</u>
	Total	

	<u>6/30/2019</u>	<u>6/30/2020</u>
Collective deferred outflows of resources	\$4,684,852,302	\$3,149,522,616
Collective deferred inflows of resources	7,646,736,226	7,645,087,574
Collective net pension liability (Non State - Local Group)	\$19,689,501,539	\$18,018,482,972
municipality's proportionate share of net pension liability	\$362,306	\$327,543
municipality's proportion %	0.00184010%	0.00181782%

Actuarial assumptions - The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation:	2.75% Price, 3.25% Wage
Salary Increases:	
Through 2026	2.00%-6.00% based on years of service
Therafter	3.00%-7.00% based on years of service
Investment Rate of Return:	7.00%

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 8: PENSION PLANS (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

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

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

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 8: PENSION PLANS (Continued)

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate - The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2019, calculated using the discount rate of 6.28%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(5.28%)</u>	<u>(6.28%)</u>	<u>(7.28%)</u>
Municipality's proportionate share of the net pension liability	\$ 413,752	\$327,543	\$ 254,894

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 8: PENSION PLANS (Continued)

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Contribution</u>	<u>Percentage</u> <u>of APC</u> <u>Paid</u>
2020	\$17,682	100%
2019	\$18,303	100%
2018	\$17,135	100%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)).

GASB Statement No. 75 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension.

Note 10: LEASES

The Borough has not entered into any long-term lease agreements except for equipment which can be capitalized as installment purchases of fixed assets in accordance with Technical Accounting Directive No. 85-2.

Note 11: ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the liability related to unused sick pay.

The Borough does not permit employees to annually accrue unused vacation time. In addition, all full-time salaried employees shall be entitled to a maximum of twelve (12) sick days per year and two (2) personal leave days with full salary paid for the day and that sick days cannot be accumulated. In accordance with New Jersey principles, any amounts are not reported as an expenditure or liability in the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 12: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Borough participated in a number of state assisted grant programs administered at the state level. These programs, exclusive of the single audit concept, can be subject to program compliance audits by the grantors or their representatives. Accordingly, the Borough's compliance with certain applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Borough expects such amounts, if any, to be immaterial.

LITIGATION

There are pending lawsuits in which the Borough is involved. The municipal attorney estimates that the potential claims against the Borough not covered by insurance resulting from such litigation would not materially affect the financial statements of the Borough.

Note 13: INTERFUND BALANCES

Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2020:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 56,938	\$ 628,804
Federal and State Grants Fund	158,017	-
Animal Control Fund	-	3,279
Other Trust Fund	4,430	53,659
General Capital Fund	466,357	-
	<u>\$ 685,742</u>	<u>\$ 685,742</u>

Cash Activity for the General Capital Fund is transacted through the current fund bank account, therefore an Interfund payable is established in the general capital fund to the General Capital Fund.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 14: RISK FINANCING

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.

Note 15: TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The municipality has not entered into any tax abatement agreements.

Note 16: SUBSEQUENT EVENTS

The municipality's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020 and continues subsequent to December 31, 2020. Additionally, New Jersey Governor Murphy has declared a state of emergency via Executive Order in response to the coronavirus outbreak. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the municipality's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the municipality's tax base revenue, absenteeism in the municipality's labor workforce, unavailability of supplies used in operations, and a decline in value of assets held by the municipality.

PART II
SUPPLEMENTARY INFORMATION

CURRENT FUND SCHEDULES

CURRENT FUND
SCHEDULE OF CASH-TREASURER

A-4

	<u>REF.</u>		
Balance December 31, 2019	A	\$	639,113
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	\$	18,794
Collector	A-5		5,172,232
Revenue Accounts Receivable	A-7		123,434
Payroll Deductions	A-12		11,838
Amount Due State of New Jersey For Senior Citizens/Veterans Deductions	A-17		5,000
Reserve for Perc Test Deposits	A-18		600
State Grants	A-19		284,000
			<u>5,615,898</u>
			6,255,011
Decreased by Disbursements:			
Interfund Advances/(Returns)	B/C	(487,409)	
Appropriation Reserves	A-8	8,855	
Reserve for Encumbrances	A-9	1,008,240	
Tax Overpayments Refunded	A-11	-	
Payroll Deduction Payments	A-12	11,648	
County Taxes	A-13	569,646	
Local District School Tax	A-14	2,406,958	
Regional High School Tax	A-15	1,189,029	
Due to Municipal Open Space Fund	A-16	39,687	
Reserve for Perc Test Deposits	A-18	600	
State Grant Funds	A-20	10,275	
			<u>4,757,529</u>
Balance December 31, 2020	A	\$	<u>1,497,482</u>

CURRENT FUND
SCHEDULE OF CASH-COLLECTOR

A-5

	<u>REF.</u>		
Received:			
Taxes Overpaid	A-11	-	
Interest and Costs on Taxes	A-2	\$ 20,982	
Taxes Receivable	A-6	5,127,777	
Miscellaneous	A-2	195	
2021 Prepaid Taxes	A-10	<u>23,278</u>	<u>\$ 5,172,232</u>
Decreased by Disbursements:			
Payments To Treasurer	A-4		<u>\$ 5,172,232</u>

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

YEAR	BALANCE	ADDED	2020	CASH COLLECTIONS		OVERPAID	CANCELLED	BALANCE
	12/31/19	TAXES	LEVY	2019	2020	APPLIED		12/31/20
2019	\$ 112,673	\$ 2,627			\$ 115,293			\$ 7
2020			\$ 5,138,899	\$ 10,125	5,017,484	\$ 18,361	\$ 12,164	80,765
TOTALS	\$ 112,673	\$ 2,627	\$ 5,138,899	\$ 10,125	\$ 5,132,777	\$ 18,361	\$ 12,164	\$ 80,772

REF.	A		A-10		A-11		A
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State of New Jersey-Senior Citizens/
Veterans Deductions
Received by Collector

A-2	\$ 5,000
A-5	<u>5,127,777</u>
	<u>\$ 5,132,777</u>

ANALYSIS OF PROPERTY TAX LEVY:

Tax Yield:

General Purpose Tax		\$ 5,108,492	
Special District Tax		29,317	
Added Taxes (54:4-63.1 et.seq.)		<u>1,090</u>	\$ <u>5,138,899</u>

Tax Levy:

Local District School Tax	A-14		\$ 2,434,520
Regional High School Tax	A-15		1,177,608
County Taxes:			
County Tax (Abstract)	A-13	\$ 476,518	
County Library Tax (Abstract)	A-13	46,791	
County Open Space (Abstract)	A-13	45,509	
Due County for Added and Omitted Taxes(54.4-63.1, et.seq.)	A-13	<u>121</u>	568,939
Municipal Open Space	A-16		29,323
Local Tax for Municipal Purposes	A-2		927,406
Add: Additional Tax Levied (Added/Omitted Taxes, Rate Rounding)			<u>1,103</u> \$ <u>5,138,899</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-7

	<u>REF.</u>	<u>BALANCE ACCRUED</u> <u>12/31/19</u>	<u>IN 2020</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>12/31/20</u>
Clerk:					
Licenses:					
Alcoholic Beverages	A-2	\$	5,063	\$	5,063
Interest on Investments and Deposits	A-2		3,120		3,120
Energy Receipts Tax	A-2		115,251		115,251
Totals		-	\$ 123,434	\$	123,434
	<u>REF.</u>				
	A			A-4	A

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2019

A-8

	<u>BALANCE</u> <u>12/31/19</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
General Administration:				
Salary & Wages	\$ 1,510	\$ 750		\$ 750
Other Expenses	2,189	2,189	\$ 854	1,335
Computerized Data Processing:				
Other Expenses	7	359	359	-
Revenue Administration: (Tax Coll.)				
Other Expenses	324	324	35	289
Legal Services				
Other Expenses	2,233	2,233	1,601	632
Planning Board				
Other Expenses	4,287	2,768	2,149	619
Buildings and Grounds:				
Other Expenses	24	1,952	1,952	-
Utility Expenses:				
Electricity	1,422	1,422	229	1,193
Street Lighting	1,144	1,143	717	426
Water	115	115	55	60
Gas	1,271	1,271	904	367
Others - No Change	37,733	37,733		37,733
	<u>\$ 52,259</u>	<u>\$ 52,259</u>	<u>\$ 8,855</u>	<u>\$ 43,404</u>

REF.	A	A	A-4	A-1
Appropriation Reserve	A	\$ 52,259		
Encumbrances	A-9	-		
		<u>\$ 52,259</u>		

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-9

REF.

Increased by:

Non-Budget Purchase Orders	A-3	-		
Transfer from Current Year Appropriations	A-3	\$ 1,008,240	\$ 1,008,240	1,008,240
				<u>1,008,240</u>

Decreased by:

Transfer to Appropriation Reserve	A-8	-		
Cash Disbursements	A-4	1,008,240	\$ 1,008,240	<u>1,008,240</u>

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-10

	<u>REF.</u>	
Balance December 31, 2019	A	\$ 10,125
Increased by:		
2021 Taxes Collected in Advance	A-5	<u>23,278</u>
		33,403
Decreased by:		
Applied to 2020 Taxes Receivable	A-6	<u>10,125</u>
Balance December 31, 2020	A	<u>\$ 23,278</u>

CURRENT FUND
SCHEDULE OF TAXES OVERPAID

A-11

	<u>REF.</u>	
Balance December 31, 2019	A	\$ 40,533
Increased by:		
Overpayments of 2020 Taxes	A-5	<u> -</u> 40,533
Decreased by:		
Overpayments Applied to Current Year Taxes	A-6	<u>18,361</u>
Balance December 31, 2020	A	<u>\$ 22,172</u>

CURRENT FUND
SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE

A-12

	<u>REF.</u>	
Balance December 31, 2019	A	\$ 1,252
Increased by:		
Payroll Deductions	A-4	<u>11,838</u>
		13,090
Decreased by:		
Payment of Payroll Tax Liabilities	A-4	<u>11,648</u>
Balance December 31, 2020	A	<u>\$ 1,442</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-13

	<u>REF.</u>					
Balance December 31, 2019	A	\$ 828				
Increased by:						
2020 Levy:						
County Taxes	A-6	\$ 476,518				
County Library Taxes	A-6	46,791				
County Open Space Tax	A-6	45,509				
Prior Year Added and Omitted Taxes	A-6	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">121</td> <td style="text-align: right; border-bottom: 1px solid black;">568,939</td> </tr> <tr> <td></td> <td style="text-align: right;">569,767</td> </tr> </table>	121	568,939		569,767
121	568,939					
	569,767					
Decreased by:						
Payments	A-4	569,646				
Balance December 31, 2020	A	\$ 121				

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-14

	<u>REF.</u>		
Balance December 31, 2019:			
School Tax Payable		\$ 28,074	
School Tax Deferred	A	<u>NONE</u>	<u>\$ 28,074</u>
Increased by:			
Levy - Calendar Year 2020	A-6		2,434,520
Decreased by:			
Payments	A-4		<u>2,406,958</u>
Balance December 31, 2020:			
School Tax Payable		55,636	
School Tax Deferred	A	<u>NONE</u>	<u>\$ 55,636</u>
2020 Liability for Local District School Tax:			
Tax Paid			\$ 2,406,958
Tax Payable 12/31/20			<u>55,636</u>
			2,462,594
Less -- Tax Payable 12/31/19			<u>28,074</u>
Amount Charged to 2020 Operations	A-1		<u>\$ 2,434,520</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-15

REF.

Balance December 31, 2019:		
School Tax Payable	\$ 384,656	
School Tax Deferred	A <u>215,567</u>	\$ 600,223
Increased by:		
Levy - School Year July 1, 2020 to June 30, 2021	A-6	<u>1,177,608</u>
		1,777,831
Decreased by:		
Payments	A-4	<u>1,189,029</u>
Balance December 31, 2020:		
School Tax Payable	373,235	
School Tax Deferred	A <u>215,567</u>	<u>\$ 588,802</u>
2020 Liability for Regional High School Tax:		
Tax Paid		\$ 1,189,029
Tax Payable 12/31/20		<u>588,802</u>
		1,777,831
Less -- Tax Payable 12/31/19		<u>600,223</u>
Amount Charged to 2020 Operations	A-1	<u>\$ 1,177,608</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-16

	<u>REF.</u>	
Balance December 31, 2019	A	\$ 1,428
Increased by:		
2020 Municipal Open Space Tax Including Added Taxes	A-6	<u>29,323</u>
		30,751
Decreased by:		
Open Space Expenditures Paid by Current Fund	A-4	<u>39,687</u>
Balance December 31, 2020	A	<u>\$ (8,936)</u>

CURRENT FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY FOR
SENIOR CITIZENS AND VETERANS DEDUCTIONS

A-17

	<u>REF.</u>		
Balance December 31, 2019	A	\$	(533)
Increased by:			
Senior Citizens Deductions Disallowed/(Allowed) by Tax Collector			
Received in Cash from State	A-4	\$ 5,000	<u>5,000</u>
			4,467
Decreased by:			
Senior Citizens Deductions Per Tax Billings	A-6	750	
Veterans Deductions per Tax Billings	A-6	<u>4,250</u>	<u>5,000</u>
Balance December 31, 2020	A	\$	<u>(533)</u>

ANALYSIS OF BALANCE

Amount Due from State of N.J. -- Pre 1/1/78		\$	(2,720)
Amount Due to State of N.J. -- Post 1/1/78		<u>2,187</u>	<u>\$ (533)</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR PERC TEST DEPOSITS

A-18

	<u>REF.</u>	
Balance December 31, 2019	A	\$ 6
Increased by:		
Receipts	A-4	<u>600</u> 606
Decreased by:		
Payments	A-4	<u>600</u>
Balance December 31, 2020	A	<u>\$ 6</u>
<u>Detail:</u>		
Perc Tests		<u>\$ 6</u> <u>\$ 6</u>

CURRENT FUND
SCHEDULE OF STATE GRANTS RECEIVABLE

A-19

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/19</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/20</u>
Clean Communities Program		\$ 4,000	\$ 4,000	
NJ Department of Transportation - Main Street Resurfacing	\$ 240,000		180,000	\$ 60,000
NJ Department of Transportation - Island Park	100,000		100,000	-
Highlands Grant - Stream Corridor	185			185
Highlands Grant - Plan Conformance	61,544			61,544
FEMA - Hazard Mitigation	17,779			17,779
Totals	<u>\$ 419,508</u>	<u>\$ 4,000</u>	<u>\$ 284,000</u>	<u>\$ 139,508</u>
REF.	A	A-2	A-4	A

CURRENT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS

A-20

	<u>BALANCE</u> <u>12/31/19</u>	<u>TRANSFER</u> <u>FROM</u> <u>2020 BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>BALANCE</u> <u>12/31/20</u>
Clean Communities Grant:				
CY2020		\$ 4,000		\$ 4,000
CY2019	\$ 1,987			1,987
NJ Department of Transportation - Main Street Re	220,805		\$ 10,275	210,530
Highlands Grant - Stream Corridor	1,499			1,499
Highlands Grant - Plan Conformance	61,730			61,730
FEMA - Hazard Mitigation	17,779			17,779
Totals	<u>\$ 303,800</u>	<u>\$ 4,000</u>	<u>\$ 10,275</u>	<u>\$ 297,525</u>
REF .	A	A-3	A-4	A

TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

	<u>REF.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2019	B	\$ <u>294</u>	\$ <u>347,973</u>
Increased by Receipts:			
Dog License Fees	B-3	2,852	
State Dog License Fees	B-4	246	
Escrow Trust Deposits	B-7		20,714
COAH Deposits	B-8		213
LOSAP Deposits	B-9		99
Open Space Deposits	B-10	-	325
Total Receipts		<u>3,098</u>	<u>21,351</u>
		<u>3,392</u>	<u>369,324</u>
Decreased by Disbursements:			
Expenditures Under R. S. 4:19-15.11	B-3	-	
Due Current Fund	B-6	-	-
Escrow Trust Deposits Returned	B-7	-	-
COAH Expenditures	B-8	-	39
Total Disbursements		<u>-</u>	<u>39</u>
Balance December 31, 2020	B	\$ <u>3,392</u>	\$ <u>369,285</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2019	B	\$ 12
Increased by:		
Dog License Fees Collected	B-2	<u>2,852</u>
		2,864
Decreased by:		
Expenditures Under R.S. 4:29-15.11	B-5	<u>2,751</u>
Balance December 31, 2020	B	<u>\$ 113</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF
NEW JERSEY DEPARTMENT OF HEALTH

B-4

REF.

Increased by:

Collected in 2020:

State Board of Health Fees

B-2 \$ 246
 246

Decreased By:

Payments

B-5 \$ 246

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
ANIMAL CONTROL FUND

B-5

	<u>REF.</u>		
Balance December 31, 2019	B	\$	282
Increased by:			
Animal Control State Fees Paid by Current Fund	B-4	\$	246
Animal Control Salaries Paid by Current Fund	B-3		2,997
			<u>3,279</u>
Balance December 31, 2020	B	\$	<u>3,279</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
OTHER TRUST FUND

B-6

	<u>REF.</u>	
Balance December 31, 2019	B	\$ (21,294)
Increased by:		
Recreation Trust Receipts Received in Current Fund	B-11	-
Added Levy- Municipal Open Space Tax	B-10	\$ 6
Municipal Open Space Tax Levy	B-10	29,317
		29,323
		8,029
Decreased by:		
Escrow Trust Expenditures Paid from Current Fund	B-7	17,135
Recreation Trust Expenditures Paid from Current Fund	B-11	436
Open Space Expenditures Paid by Current Fund	B-10	39,687
		57,258
Balance December 31, 2020	B	<u>\$ (49,229)</u>
 <u>Balance Detail:</u>		
Escrow Trust Fund		\$ (44,723)
Municipal Open Space Trust Fund		(8,936)
Recreation Trust Fund		4,430
		<u>\$ (49,229)</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS

B-7

	<u>REF.</u>	
Balance December 31, 2019	B	\$ 106,490
Increased by:		
Escrow Deposits	B-2	<u>20,714</u>
		127,204
Decreased by:		
Escrow Deposits Returned	B-6	<u>17,135</u>
Balance December 31, 2020	B	<u>\$ 110,069</u>

TRUST FUND
SCHEDULE OF RESERVE FOR COAH REHABILITATION PROGRAM

B-8

	<u>REF.</u>	
Balance December 31, 2019	A	\$ 62,400
Increased by:		
COAH Deposits Received	B-2	<u> 213</u>
		62,613
Decreased by:		
COAH Expenditures	B-2	<u> 39</u>
Balance December 31, 2020	A	<u>\$ 62,574</u>

TRUST FUND
SCHEDULE OF RESERVE FOR LOSAP PROGRAM

B-9

	<u>REF.</u>	
Balance December 31, 2019	B	\$ 35,347
Increased by:		
LOASP Deposits-Interest/Other	B-2	<u> 99</u> 35,446
Balance December 31, 2020	B	<u>\$ 35,446</u>

TRUST FUND
SCHEDULE OF RESERVE FOR OPEN SPACE TRUST DEPOSITS

B-10

	<u>REF.</u>		
Balance December 31, 2019	B	\$	117,576
Increased by:			
Added Levy - Municipal Open Space Tax	B-6	\$	6
Open Space Trust Deposits - Interest	B-2		325
Open Space Trust - Levy	B-6		<u>29,317</u>
			<u>29,648</u>
			147,224
Decreased by:			
Open Space Expenditures Paid by Current Fund	B-6		<u>39,687</u>
Balance December 31, 2020	B	\$	<u>107,537</u>

TRUST FUND
SCHEDULE OF RESERVE FOR CELEBRATION OF PUBLIC EVENTS TRUST

B-11

	<u>REF.</u>	
Balance December 31, 2019	B	\$ 4,866
Decreased by:		
Expenditures	B-6	<u>436</u>
Balance December 31, 2020	B	<u>\$ 4,430</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF ACCOUNTS RECEIVABLE

C-3

	<u>REF.</u>	
Balance December 31, 2019	C	\$ 219,778
Decreased by:		
Payments Received	C-4	<u>130,089</u>
Balance December 31, 2020	C	<u>\$ 89,689</u>
New Jersey Environmental Infrastructure Trust Grant		\$ 40,660
Hunterdon County Grant		<u>49,028</u> <u>\$ 89,688</u>

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND

C-4

	<u>REF.</u>		
Balance December 31, 2019	C	\$	(30,492)
Increased by:			
Bond Anticipation Note Proceeds for Main Street and River Road	C-9	\$	700,000
Hunterdon County Grant Received in Current Fund	C-3		130,089
Current Fund Budget Appropriation-Capital Improvement Fund	C-7		<u>36,500</u>
			<u>866,589</u>
			836,097
Decreased by:			
Improvement Authorizations Paid in Current Fund	C-8		368,510
Revenue Anticipated in Current Fund	C-1		<u>1,230</u>
			<u>369,740</u>
Balance December 31, 2020	C	\$	<u>466,357</u>

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

C-5

	<u>REF.</u>	
Balance December 31, 2019		\$ 1,185,486
Decreased by:		
2020 Current Fund Budget Appropriations Bond Principal	C-11	<u>66,811</u>
Balance December 31, 2020	C	<u>\$ 1,118,675</u>
New Jersey Environmental Infrastructure Trust Loan	C-11	\$ 1,052,164
Debt Authorized Not Issued		<u>66,511</u>
		<u>\$ 1,118,675</u>

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

C-6

<u>IMPROVEMENT DESCRIPTION</u>	<u>ANALYSIS OF BALANCE</u>				
	<u>BALANCE</u> <u>12/31/19</u>	<u>DECREASED</u> <u>BUDGET</u>	<u>BALANCE</u> <u>12/31/20</u>	<u>DEBT</u> <u>AUTHORIZED</u> <u>NOT ISSUED</u>	<u>BONDS/</u> <u>NOTES</u>
Improvements to Railroad Avenue	\$ 68,600	\$ 18,500	\$ 50,100	-	\$ 50,100
Resurfacing of Main Street and River Road	700,000		700,000		700,000
	\$ 768,600	\$ 18,500	\$ 750,100	-	\$ 750,100
REF.	C	C-9	C		C-9

GENERAL CAPITAL FUND
STATEMENT OF CAPITAL IMPROVEMENT FUND

C-7

	<u>REF.</u>	
Balance December 31, 2019	C	\$ 57,042
Increased by:		
Current Fund Budget Appropriation	C-4	<u>36,500</u>
		93,542
Decreased by:		
Finance Improvement Authorizations	C-8	<u> -</u>
Balance December 31, 2020	C	<u>\$ 93,542</u>

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-8

<u>IMPROVEMENT DESCRIPTION</u>	<u>ORDINANCE NUMBER</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>BALANCE 12/31/19</u>		<u>PAID OR CHARGED</u>	<u>BALANCE 12/31/20</u>	
				<u>FUNDED</u>	<u>UNFUNDED</u>		<u>FUNDED</u>	<u>UNFUNDED</u>
Improvements to Railroad Avenue	2012-05; 2014-03	11-19-12; Amended 7-7-14	\$ 189,000		\$ 1,559		\$ 1,559	
Improvements to the Borough's Main Street Storm Water Management System	2012-04; 2014-03; 2015-02	11-19-12; Amended 7-7-14 and 4-6-15	2,061,460	\$ 54,969			\$ 54,969	
Various Improvements to infrastructure: catch basins, sidewalks	2016-05	6-6-16	25,000	3,842			3,842	
Improve Island Park Bridge	2017-03	5-1-17	200,000	52,175		\$ 6,180	45,995	
Improvements to Mill Street, Bank Street & School Street	2017-05	11-6-17	20,000	12,102		-	12,102	
Speed Signs & Road Improvements to School Street	2018-05	7-9-18	15,000	9,466		-	9,466	
Improvements to Pershing Ave	2019-06	9-16-19	100,000	63,412		26,755	36,657	
Improvements to Main Street and River Road	2019-07	10-21-19	700,000	-	700,000	335,575		364,425
				<u>\$ 195,966</u>	<u>\$ 701,559</u>	<u>\$ 368,510</u>	<u>\$ 163,031</u>	<u>\$ 365,984</u>
REF.				C	C	C-4	C	C

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-9

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORIGINAL NOTE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/19</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE 12/31/20</u>
2012-05	Improvements to Railroad Avenue	5/15/13	4/2/2020	4/1/2021	2.470%	\$ 68,600		\$ 18,500	\$ 50,100
2019-07	Resurfacing of Main Street and River Road	4/2/2020	4/2/2020	4/1/2021	2.470%		\$ 700,000		700,000
						\$ 68,600	\$ 700,000	\$ 18,500	\$ 750,100
REF.						C	C-4	C-6	C

GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN
SERIES 2018A-1

C-10

<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>ORD#</u>	<u>ORD DATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/19</u>	<u>PRINCIPLE DECREASED</u>	<u>BALANCE 12/31/20</u>
Improvements to the Borough's Main Street Storm Water Management System	5-26-16	2012-04; 2014-03; 2015-02	11-19-12; Amended 7-7-14 and 4-6-15	8/1/16-8/1/35	\$17,270 to \$34,541	None	\$ 828,975	\$ 51,811	\$ 777,164
Improvements to the Borough's Main Street Storm Water Management System	5-26-16	2012-04; 2014-03; 2015-02	11-19-12; Amended 7-7-14 and 4-6-15	8/1/17-8/1/35	\$10,000 to \$20,000	2.0% to 5.0%	290,000	15,000	275,000
							<u>\$ 1,118,975</u>	<u>\$ 66,811</u>	<u>\$ 1,052,164</u>
							C	C-5	C

PUBLIC ASSISTANCE FUND SCHEDULES

PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

E-1

	<u>REF.</u>	<u>P.A.T.F.</u> <u>#2</u>	<u>FUND</u> <u>TOTAL</u>
Balance December 31, 2019	E	\$ 12,839	\$ 12,839
Increased by Receipts:			
Interest Credits on Bank Deposits		36	36
		12,875	12,875
Decreased by Disbursements:			
Public Assistance		-	-
Balance December 31, 2020	E	<u>\$ 12,875</u>	<u>\$ 12,875</u>

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
SCHEDULE OF ADDITIONS AND DELETIONS
DECEMBER 31, 2020

F-1

	<u>BALANCE</u> <u>12/31/19</u>	<u>BALANCE</u> <u>12/31/20</u>
General Fixed Assets:		
Land	\$ 209,300	\$ 209,300
Buildings	646,115	646,115
Machinery and Equipment	<u>33,072</u>	<u>33,072</u>
Total General Fixed Assets	<u>\$ 888,487</u>	<u>\$ 888,487</u>

**PART III
SUPPLEMENTARY INFORMATION**

General Comments

**Report on Internal Control over Financial Reporting and
Compliance and Other Matters based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Schedule of Federal/State Awards

Status of Prior Audit Findings

Schedule of Findings and Responses

GENERAL COMMENTS

Scope of Audit

The audit of the financial statements of the Borough of Califon, County of Hunterdon, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Borough and the records of the various outside departments.

Contracts and Agreements Requiring Advertisement for Bids

Effective April 17, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

N.J.S.A. 40A:11-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (i) of paragraph (a) of subsection (1) of Section 5 of P.L.1971, C.198(C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2020, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$44,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

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

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

The system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not determine whether any clear-cut violations existed.

My examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory thresholds "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.40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 6, 2020, adopted the following resolution authorizing interest to be charged on delinquent taxes:

“Be It Resolved that pursuant to R.S.54:4-67, the Borough Council of the Borough of Califon, County of Hunterdon, and State of New Jersey, hereby fixes the rate of interest to be charged on all delinquent taxes for the year 2019 at the rate of eight (8) per cent per annum for the first \$1,500 and eighteen (18) per cent for amounts over \$1,500.

Be It Further Resolved, that notwithstanding the above provision, no interest shall be charged if payment of any quarterly installment is made within ten (10) days after the date upon which the same become payable according to the laws in such cases made and provided. If such payment is not made within the ten (10) days grace period, the above rate of interest shall run and accrue from the original due date of such taxes.”

Under provisions of C.75, P.L. 1991 (amending N.J.S. 54:4-67), enacted March 28, 1991, the definition of tax delinquency was defined as the sum of all taxes and municipal charges due on a given parcel or property covering any number of quarters or years. In addition, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six (6%) per cent of the amount of the delinquency.

The governing body, on January 6, 2020, adopted a resolution enabling the \$10,000 delinquency penalty provisions.

The audit of the Collector's records on a test basis indicated no differences between the amount of interest payable on delinquent tax payments, based on our calculations, and the amount of interest charged.

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2020, include property taxes outstanding from the 2020 tax levy.

A tax sale was held in 2009 and was complete.

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>
2020	NONE
2019	NONE
2018	NONE

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 15, 2020. The items that were returned were compared to and are in agreement with the Borough's records. For items not returned, alternative procedures were performed.

A test verification of delinquent charges and current payments was made in accordance with verification procedures approved by the Division of Local Government Services. A summary of such verification is as follows:

Type of Receivable - Real Property Tax

Date of Circulars - November 15, 2020

Verification <u>Type</u>	Request <u>Form</u>	Total No. <u>of Items</u>	Total No. of <u>Circular</u>	Total No. <u>Returned</u>
2020 Property Tax	Positive	560	60	13
2021 Property Tax	Positive	560	60	13
2020 Delinquent Tax	Negative	218	25	5

Technical Accounting Directives

During the calendar year 1984, the Division of Local Government Services initiated as part of the Single Audit Law, a planned revision of the Requirements of Audit to provide new accounting requirements mandated for most local government units. The revision to the Requirements of Audit and Accounting would be in order to improve fiscal accountability for all local governments, satisfy federal-state audit requirements and enhance the credibility for New Jersey municipal accounting practices with federal-state funding sources and bond rating agencies. The new requirements for most local units started January 1, 1986, unless exemption, based upon amount of federal aid received and population size, was formally secured. The Division in 1988 notified those exempted municipal units of a transition requirement for fully implementation of all accounting directives beginning in the 1989 fiscal periods. The identity and compliance status of the Borough of Califon to these new directives are as follows:

<u>Requirement</u>	FY 2020 Required <u>Implementation</u>	
	<u>Yes</u>	<u>No</u>
A. General Ledger Accounting System	X	
B. Encumbrance Accounting	X	
C. Purchase Order System	X	
D. Fixed Asset Accounting and Reporting System	X	

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

REVENUE AND OTHER INCOME REALIZED

	<u>YEAR 2020</u>	<u>%</u>	<u>YEAR 2019</u>	<u>%</u>
Fund Balance Utilized	\$ 115,000	2.05%	\$ 116,000	1.84%
Miscellaneous - From Other Than				
Local Property Tax Levies	329,172	5.87%	1,145,719	18.20%
Collection of Delinquent Taxes and				
Tax Title Liens	115,294	2.06%	86,824	1.38%
Collection of Current Tax Levy	<u>5,045,970</u>	<u>90.02%</u>	<u>4,946,291</u>	<u>78.58%</u>
Total Income	<u>5,605,436</u>	<u>100.00%</u>	<u>6,294,834</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	1,139,445	21.30%	2,170,718	34.23%
County Taxes	568,939	10.63%	561,476	8.85%
Local and Regional Taxes	3,612,128	67.52%	3,579,849	56.45%
Other Expenditures	<u>29,323</u>	<u>0.55%</u>	<u>29,187</u>	<u>0.46%</u>
Total Expenditures	<u>5,349,835</u>	<u>100.00%</u>	<u>6,341,230</u>	<u>100.00%</u>

Excess in Revenue	255,601		(46,396)
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Adjustments to Income Before Fund Balance:

Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	-		<u>46,396</u>

Statutory Excess to Fund Balance	255,601		-
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Fund Balance January 1	162,015		278,015
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Less:

Utilization as Anticipated Revenue	<u>115,000</u>		<u>116,000</u>
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Fund Balance December 31	<u>\$ 302,616</u>		<u>\$ 162,015</u>
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Comparative Schedule of Tax Rate Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rate</u>	<u>\$3.505</u>	<u>\$3.475</u>	<u>\$3.333</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.633	\$0.613	\$0.596
Municipal Open Space	\$0.020	\$0.020	\$0.020
County	\$0.388	\$0.385	\$0.372
Local School	\$1.661	\$1.633	\$1.602
Regional High School	\$0.803	\$0.824	\$0.743

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2020	\$146,585,108
2019	\$145,717,968
2018	\$145,113,768

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>Collections</u>	<u>Percentage of Collections</u>
2020	\$ 5,138,899	\$ 5,045,970	98.19%
2019	\$ 5,071,172	\$ 4,946,291	97.53%
2018	\$ 4,865,100	\$ 4,777,231	98.19%

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>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2020	NONE	\$80,772	\$80,772	1.57%
2019	NONE	\$112,673	\$112,673	2.22%
2018	NONE	\$86,317	\$86,317	1.77%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2020 by foreclosure or deed as a result of liquidation of tax title liens.

Comparative Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>		<u>Utilized In Budget of Succeeding Year</u>	
			<u>Regular</u>	<u>Defer School Tax</u>
2020	\$ 302,616	*	\$ 120,000	NONE
2019	\$ 162,015		\$ 115,000	NONE
2018	\$ 278,015		\$ 116,000	NONE
2017	\$ 237,735		\$ 115,000	NONE
2016	\$ 240,870		\$ 115,000	NONE
2015	\$ 256,812		\$ 115,000	NONE
2014	\$ 267,103		\$ 115,000	NONE
2013	\$ 303,115		\$ 120,000	NONE

*Approved (Introduced) Budget

Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Charles Daniel	Mayor/ Councilperson		
Michael Medea	Councilperson		
Ed Haversang	Councilperson		
Richard Baggstrom	Councilperson		
Leo Janas	Councilperson		
John Collins	Councilperson		
Cathy Smith	Councilperson		
Laura G. Eidsvaag	Clerk; Assessment Tax Search Officer; Registrar of Vital Statistics		

Officials in Office and Surety Bonds (Continued)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Amy Monahan	Acting Certified Municipal Finance Officer; Treasurer	\$2,000,000	Morris Joint Ins. Fund Blanket Coverage Through Washington Township
Laura Amada	Tax Collector; Tax Tax Search Officer	\$2,000,000	Morris Joint Ins. Fund Blanket Coverage Through Washington Township
J. Peter Jost	Attorney		
Penny Holenstein	Assessor		
Karen Mastro	Dog Registrar; Deputy Clerk		
William B. Skene	Zoning Officer		
Kerry Brown	Planning Board Secretary		

The minimum bond coverage for the Tax Collector based on prior years' tax levies is as follows:

<u>Year</u>	<u>Amount</u>
2020	\$92,178

All other officials handling monies, except the Collector and Treasurer, were covered by a **faithful performance blanket position** bond in the amount of \$1,000,000 by the Statewide Insurance Fund.

All the bonds were examined and were properly executed.



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**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 Auditor's Report

The Honorable Mayor and
Members of the Borough Council
Borough of Califon
P.O. Box 368
County of Hunterdon, New Jersey
Califon, New Jersey 07830

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey, the regulatory-basis financial statements of the Borough of Califon in the County of Hunterdon, State of New Jersey, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Borough of Califon's basic financial statements, and have issued our report thereon dated May 15, 2021, which indicated that the financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

-Continued-

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.

Compliance and Other Matters

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

Purpose of this Report

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

ARDITO & COMPANY LLC



Frenchtown, New Jersey
May 15, 2021



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & COMPANY LLC
Frenchtown, New Jersey
May 15, 2021

SCHEDULE OF FEDERAL/STATE AWARDS

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

K-3

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>GRANT PERIOD</u>	<u>FUND REF.</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/20</u>	<u>RECEIPTS PROGRAM</u>	<u>OTHER RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/20</u>	<u>CUMMULATIVE DISBURSEMENTS</u>
US Department of Transportation, passed through New Jersey Department of Transportation:										
Main Street Resurfacing	20.205	\$ 240,000	2020	A	\$ (19,195)	\$ 180,000		\$ 10,275	\$ 150,530	\$ 29,473
Island Park	20.205	400,000	2020	A	(100,000)	100,000			-	400,000
Total Highway Planning and Construction Cluster					(119,195)	280,000	-	10,275	150,530	429,473
TOTAL FEDERAL ASSISTANCE					(119,195)	\$ 280,000	-	\$ 10,275	\$ 150,530	\$ 429,473

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

Note: This Schedule was not subject to an audit in accordance with Uniform Guidance.

**SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

K-4

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>ACCOUNT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>GRANT PERIOD</u>	<u>FUND REF.</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE</u>		<u>RECEIPTS</u>		<u>DISBURSEMENTS</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE</u>
					<u>AT 1/1/20</u>	<u>PROGRAM</u>	<u>OTHER</u>	<u>AT 12/31/20</u>		
<u>DEPT.OF ENVIRON.PROTECTION</u>										
Solid Waste Adm.-Clean Communities Program	4900-765-178900	\$ 4,000 4,000	2020 2019	A A		\$ 4,000				\$ 4,000 1,987
<u>DEPT. OF HUMAN SERVICES</u>										
Payments to Municipalities for Cost of General Assistance (State Share)	75050-150-158010-60	N/A	N/A	E		12,839		\$ 36		12,875
<u>DEPT. OF LAW & PUBLIC SAFETY</u>										
Office of Emergency Management Hazard Mitigation Grant - State Share	HMGP-DR-4086-NJ-0391-R	17,779	2018-2019	A						
<u>OTHER STATE AIDS</u>										
Highlands Grant - Stream Corridor		35,000	2012	A		1,315				1,315
Highlands Grant - Plan Conformance		88,200	2009/2018	A		185				185
TOTAL STATE ASSISTANCE						\$ 16,326	\$ 4,000	\$ 36	\$ -	\$ 20,362

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 15-08.
The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

BOROUGH OF CALIFON

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2020

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Borough of Califon. The Borough of Califon is defined in Note 1 to the Borough's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the federal OMB Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations. However, these schedules were not subject to an audit in accordance with OMB Uniform Guidance or NJOMB Circular 15-08.

NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

There were no prior year audit findings.

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2020

Summary of Auditor's Results

The Borough prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The audit did not disclose any material weaknesses in the internal controls of the Borough.

The audit did not disclose any noncompliance that is material to the financial statements of the Borough.

The Borough was not subject to the single audit provisions of Federal OMB Uniform Guidance or New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2020 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Finding

None