

TOWNSHIP OF CHATHAM

COUNTY OF MORRIS

REPORT OF AUDIT

2019

*NISIVOCCIA
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF CHATHAM

COUNTY OF MORRIS

REPORT OF AUDIT

2019

TOWNSHIP OF CHATHAM

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2019

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Independent Member
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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Chatham
Chatham, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* – of the various funds of the Township of Chatham, in the County of Morris (the "Township") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the foregoing 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 practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township'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.

The Honorable Mayor and Members
of the Township Committee
Township of Chatham
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Township as of December 31, 2019 or 2018, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Township as of December 31, 2019 and 2018, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Honorable Mayor and Members
of the Township Committee
Township of Chatham
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
March 23, 2020

NISIVOCCIA

Valerie A. Dolan

Valerie A. Dolan

Certified Public Accountant

Registered Municipal Accountant No. 548

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
CURRENT FUND

TOWNSHIP OF CHATHAM
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 5,901,288.96	\$ 5,978,288.74
Change Fund		170.00	170.00
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		26,247.87	26,075.95
		<u>5,927,706.83</u>	<u>6,004,534.69</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	552,132.27	559,458.02
Tax Title Liens Receivable	A-8	4,140.73	294,872.69
Property Acquired for Taxes at Assessed Valuation		1,424,250.00	599,650.00
Total Receivables and Other Assets		<u>1,980,523.00</u>	<u>1,453,980.71</u>
Total Regular Fund		<u>7,908,229.83</u>	<u>7,458,515.40</u>
Federal & State Grant Fund:			
Due from Current Fund	A	100,787.70	1,072.72
Grants Receivable	A-10	1,699,342.07	1,204,531.73
Total Federal and State Grant Fund		<u>1,800,129.77</u>	<u>1,205,604.45</u>
<u>TOTAL ASSETS</u>		<u>\$ 9,708,359.60</u>	<u>\$ 8,664,119.85</u>

TOWNSHIP OF CHATHAM
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	Ref.	December 31,	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 401,867.58	\$ 298,999.16
Unencumbered	A-3;A-11	1,143,983.40	579,267.61
		<u>1,545,850.98</u>	<u>878,266.77</u>
Accounts Payable - Vendors		64,579.96	
Prepaid Taxes		586,702.67	455,128.19
Due Federal & State Grant Fund	A	100,787.70	1,072.72
Tax Overpayments		9,401.51	35,793.10
Due to Other Trust Fund - Tax Sale Premiums	B	68,500.00	98,400.00
Reserve for:			
Codification of Ordinances		2,753.65	2,753.65
Revision of Master Plan		4,045.40	4,045.40
Stormwater Mitigation		56,601.00	56,601.00
		<u>2,439,222.87</u>	<u>1,532,060.83</u>
Reserve for Receivables and Other Assets	A	1,980,523.00	1,453,980.71
Fund Balance	A-1	3,488,483.96	4,472,473.86
		<u>7,908,229.83</u>	<u>7,458,515.40</u>
Federal & State Grant Fund:			
Appropriated Reserves	A-14	1,660,239.60	1,146,583.93
Reserve for Encumbrances	A-14	27,614.23	49,017.44
Unappropriated Reserves	A-15	112,275.94	10,003.08
		<u>1,800,129.77</u>	<u>1,205,604.45</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 9,708,359.60</u>	<u>\$ 8,664,119.85</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 3,500,000.00	\$ 3,000,000.00
Miscellaneous Revenue Anticipated		2,820,740.63	2,871,040.30
Receipts from:			
Delinquent Taxes		395,125.34	746,774.89
Current Taxes		59,768,031.68	58,565,472.59
Nonbudget Revenue		604,111.24	846,167.42
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		526,147.21	515,073.34
Cancellation of Tax Overpayments		28,712.80	2,159.18
Cancellation of Tax Sale Premiums			130,500.00
Appropriated Grant Reserve Canceled		200.00	
Cancellation of Accounts Payable			60,000.00
Interfunds Returned			30,237.14
Total Income		<u>67,643,068.90</u>	<u>66,767,424.86</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		15,181,833.16	14,600,755.16
County Taxes		9,567,162.07	9,308,141.46
Due County for Added and Omitted Taxes		58,293.89	81,717.55
Regional High School Taxes		39,903,037.00	38,957,184.00
Municipal Open Space Trust Taxes		324,671.17	321,950.61
Refund of Prior Year Revenue		29,180.21	991.00
Reinstatement of Prior Period Accounts Payable		60,000.00	
Prior Year Grants Receivable Cancelled		2,881.30	765.34
Total Expenditures		<u>65,127,058.80</u>	<u>63,271,505.12</u>
Excess in Revenue		2,516,010.10	3,495,919.74
<u>Fund Balance</u>			
Balance January 1		<u>4,472,473.86</u>	<u>3,976,554.12</u>
		6,988,483.96	7,472,473.86
Decreased by:			
Utilized as Anticipated Revenue		<u>3,500,000.00</u>	<u>3,000,000.00</u>
Balance December 31	A	<u>\$ 3,488,483.96</u>	<u>\$ 4,472,473.86</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 3,500,000.00		\$ 3,500,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	8,500.00		9,510.00	\$ 1,010.00
Other	5,000.00		7,425.00	2,425.00
Fees and Permits	80,000.00		127,730.00	47,730.00
Municipal Court - Fines and Costs	60,000.00		68,908.51	8,908.51
Interest and Costs on Taxes	100,000.00		149,444.32	49,444.32
Interest on Investments and Deposits	25,000.00		133,820.47	108,820.47
Colony Pool - Dues and Membership Fees	165,000.00		163,253.50	1,746.50
Energy Receipts Tax	836,467.00		836,467.00	
Uniform Construction Code Fees	550,000.00		458,263.00	91,737.00 *
Recycling Tonnage Grant	10,596.15		10,596.15	
New Jersey Department of Transportation:				
Safe Route to Schools Grant:				
Shunpike Road Sidewalk Replacement		\$ 545,000.00	545,000.00	
Federal Aid Highway Program:				
Shunpike Road Sidewalk		115,081.00	115,081.00	
New Jersey American Water:				
Parkview Road Restoration		30,400.00	30,400.00	
Body Armor Fund	2,414.05		2,414.05	
Edward and Helen Hintz Police Grant	10,000.00		10,000.00	
Womans Club Police Department	30,000.00		30,000.00	
Summit Elks Police Department Grant	1,000.00		1,000.00	
Municipal Alliance		20,073.00	20,073.00	
Municipal Alliance - Supplemental		3,000.00	3,000.00	
Clean Communities Program		23,354.63	23,354.63	
Capital Fund Balance	75,000.00		75,000.00	
	<u>1,958,977.20</u>	<u>736,908.63</u>	<u>2,820,740.63</u>	<u>124,854.80</u>
Receipts from Delinquent Taxes	<u>475,000.00</u>		<u>395,125.34</u>	<u>79,874.66 *</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	8,814,540.00		10,217,714.35	1,403,174.35
Minimum Library Tax	1,205,263.20		1,205,263.20	
	<u>10,019,803.20</u>		<u>11,422,977.55</u>	<u>1,403,174.35</u>
Budget Totals	15,953,780.40	736,908.63	18,138,843.52	1,448,154.49
Nonbudget Revenue			<u>604,111.24</u>	<u>604,111.24</u>
	<u>\$ 15,953,780.40</u>	<u>\$ 736,908.63</u>	<u>\$ 18,742,954.76</u>	<u>\$ 2,052,265.73</u>

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 59,768,031.68
Allocated to:		
Regional High School Taxes	\$ 39,903,037.00	
Municipal Open Space Taxes	324,671.17	
County Taxes	9,567,162.07	
Due County for Added and Omitted Taxes	58,293.89	
		49,853,164.13
Balance for Support of Municipal Budget		9,914,867.55
 Add: Appropriated Reserve for Uncollected Taxes		 1,508,110.00
 Realized for Support of Municipal Budget		 \$ 11,422,977.55

Fees and Permits

Fire Alarms		\$ 490.00
Registrar		867.00
Surface Grading		45,506.00
Sewer Inspection		2,350.00
Street Opening		37,700.00
Planning and Zoning		17,475.00
Septic/Well		610.00
Solicitor		337.00
Building Inspector		22,395.00
		\$ 127,730.00

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Analysis of Interest on Investments:

Treasurer	\$	114,956.66
Due from Other Trust Funds		2,968.01
Due from General Capital Fund		15,895.80
		15,895.80
	\$	133,820.47

Analysis of Nonbudget Revenue:

Treasurer:		
Senior Citizens' and Veterans Deductions Administrative Fee	\$	936.56
Copies		582.39
Verizon Tower Rental		10,041.24
T-Mobile Tower Rental		48,601.45
Crown Castle Tower Rental		35,808.28
Sprint Tower Rental		26,613.21
AT&T/Cingular Tower Rental		147,765.20
Police Reports		616.56
Rental Income from Board of Education		6,000.00
Uniform Fire Safety Fees		23,416.66
Police Firing Range		7,000.00
Verizon Franchise Fee		100,855.54
Comcast Franchise Fee		77,915.76
Fish, Game, and Wildlife		35,977.00
Off Duty Police Administrative Fee		12,832.64
Animal Control Statutory Excess		7,503.20
Animal Control Interest		299.81
Other Miscellaneous		60,845.74
		60,845.74
	\$	603,611.24
Tax Collector		500.00
	\$	604,111.24

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 243,800.00	\$ 243,800.00	\$ 228,178.90	\$ 15,621.10	
Other Expenses	76,000.00	91,000.00	79,671.19	11,328.81	
Mayor and Council:					
Salaries & Wages	6,000.00	6,000.00	6,000.00		
Other Expenses	1,000.00	1,000.00	907.86	92.14	
Municipal Clerk:					
Salaries & Wages	90,000.00	90,000.00	74,479.90	15,520.10	
Other Expenses	16,000.00	17,000.00	16,458.11	541.89	
Financial Administration:					
Salaries & Wages	102,000.00	102,000.00	101,232.60	767.40	
Other Expenses	11,000.00	11,000.00	3,961.78	7,038.22	
Annual Audit	37,500.00	37,500.00	37,500.00		
Computerized Data Processing:					
Salaries & Wages	36,500.00	36,500.00	33,850.57	2,649.43	
Other Expenses	1,500.00	2,500.00	1,605.36	894.64	
Revenue Administration (Tax Collection):					
Salaries & Wages	72,000.00	72,000.00	70,537.22	1,462.78	
Other Expenses	10,000.00	10,000.00	6,070.79	3,929.21	
Tax Assessment Administration:					
Salaries & Wages	58,000.00	58,000.00	57,935.93	64.07	
Other Expenses	6,000.00	6,000.00	5,342.65	657.35	
Legal Services and Costs:					
Other Expenses	200,000.00	230,000.00	189,573.25	40,426.75	

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
Engineering Services and Costs:					
Other Expenses	6,000.00	6,000.00	4,100.00	1,900.00	
Municipal Land Use Law (N.J.S.A. 40:55D-1):	45,000.00	65,000.00	63,924.78	1,075.22	
Planning Board:					
Salaries & Wages	6,000.00	6,000.00	2,250.00	3,750.00	
Other Expenses	20,000.00	20,000.00	10,333.19	9,666.81	
Board of Adjustment:					
Salaries & Wages	152,000.00	152,000.00	152,000.00		
Other Expenses	106,000.00	106,000.00	106,000.00		
General Liability Insurance	2,000,000.00	2,000,000.00	1,696,039.69	303,960.31	
Workers Compensation Insurance					
Group Insurance Plan for Employees					
PUBLIC SAFETY:					
Police:					
Salaries & Wages	2,630,000.00	2,615,000.00	2,446,390.46	168,609.54	
Other Expenses	160,000.00	165,000.00	164,838.64	161.36	
Municipal Court:					
Other Expenses	88,000.00	88,000.00	87,615.61	384.39	
Contractual Radio Dispatch	227,500.00	227,500.00	227,053.47	446.53	
Emergency Management Services:					
Salaries & Wages	6,000.00	6,000.00	6,000.00		
Other Expenses	500.00	500.00		500.00	
First Aid Organizations:					
Other Expenses	15,000.00	15,000.00	15,000.00		
Aid to Volunteer Fire Company	100,000.00	100,000.00	100,000.00		
Fire:					
Other Expenses	250,000.00	250,000.00	208,681.16	41,318.84	

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PUBLIC WORKS:					
Street Road Repairs and Maintenance:					
Salaries & Wages	\$ 650,000.00	\$ 650,000.00	\$ 592,973.75	\$ 57,026.25	
Other Expenses	248,000.00	258,000.00	256,072.03	1,927.97	
Solid Waste Collection:					
Salaries & Wages	205,000.00	205,000.00	204,315.77	684.23	
Other Expenses	260,000.00	260,000.00	162,327.23	97,672.77	
Public Building and Grounds:					
Salaries & Wages	670,000.00	670,000.00	644,751.73	25,248.27	
Other Expenses	110,000.00	110,000.00	109,309.71	690.29	
Vehicle Maintenance:					
Other Expenses	117,000.00	132,000.00	122,039.24	9,960.76	
Tree Protection:					
Other Expenses	250.00	250.00		250.00	
HEALTH AND WELFARE:					
Board of Health:					
Salaries & Wages	9,500.00	9,500.00	4,753.93	4,746.07	
Other Expenses	125,000.00	125,000.00	120,343.64	4,656.36	
Environmental Commission:					
Other Expenses	3,000.00	3,000.00	2,487.25	512.75	
Animal Control:					
Other Expenses	2,500.00	2,500.00	2,427.64	72.36	
PARKS AND RECREATION:					
Recreation Service and Programs:					
Salaries & Wages	15,000.00	1,000.00		1,000.00	
Other Expenses	70,000.00	70,000.00	40,207.35	29,792.65	

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PARKS AND RECREATION:					
Colony Pool:					
Salaries & Wages	\$ 200,000.00	\$ 130,000.00	\$ 126,492.10	\$ 3,507.90	
Other Expenses	90,000.00	90,000.00	70,722.61	19,277.39	
Maintenance of Parks:					
Other Expenses	500.00	500.00		500.00	
Celebration of Public Events:					
Other Expenses	2,500.00	2,500.00	1,165.06	1,334.94	
UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries & Wages	337,000.00	337,000.00	291,868.23	45,131.77	
Other Expenses	18,000.00	20,000.00	18,368.54	1,631.46	
UNCLASSIFIED:					
Utilities:					
Electricity	94,000.00	94,000.00	70,318.99	23,681.01	
Street Lighting	49,000.00	49,000.00	44,544.66	4,455.34	
Telephone	63,000.00	63,000.00	61,857.80	1,142.20	
Water	35,000.00	35,000.00	27,069.91	7,930.09	
Natural Gas	40,000.00	40,000.00	37,841.59	2,158.41	
Gasoline	103,000.00	103,000.00	87,461.23	15,538.77	
Total Operations Within "CAPS"	10,506,550.00	10,506,550.00	9,454,468.07	1,052,081.93	
Contingent	500.00	500.00		500.00	
Total Operations Including Contingent Within "CAPS"	10,507,050.00	10,507,050.00	9,454,468.07	1,052,581.93	
Detail:					
Salaries & Wages	5,342,800.00	5,243,800.00	4,896,111.09	347,688.91	
Other Expenses	5,164,250.00	5,263,250.00	4,558,356.98	704,893.02	

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Statutory Expenditures - Municipal Within "CAPS"					
DCRP	\$ 5,000.00	\$ 5,000.00	\$ 2,002.63	\$ 2,997.37	
Public Employees' Retirement System	393,748.00	393,748.00	393,748.00		
Social Security System (O.A.S.I.)	220,000.00	220,000.00	220,000.00		
Police & Fireman's Retirement System of NJ	643,058.00	643,058.00	643,058.00		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAI	1,261,806.00	1,261,806.00	1,258,808.63	2,997.37	
Total General Appropriations for Municipal Purposes Within "CAPS"	11,768,856.00	11,768,856.00	10,713,276.70	1,055,579.30	
Operations Excluded from "CAPS":					
Fair Housing Act (52-27D-237):					
Other Expenses	37,000.00	37,000.00	33,430.10	3,569.90	
Length of Service Award Program (LOSAP)	83,000.00	83,000.00	68,400.00	14,600.00	
Maintenance of Joint Free Public Library					
Proportionate Share (R.S. 40:54-29.17) (N.J.S.A. 40A: 40A-4-45.3r)	1,205,263.20	1,205,263.20	1,135,029.00	70,234.20	
State and Federal Programs Offset by Revenue:					
Body Armor Fund	2,414.05	2,414.05	2,414.05		
New Jersey Transportation Trust Fund Authority Act:					
Federal Aid Highway Program (N.J.S.A. 40A:4-87 + \$115,081.00)		115,081.00	115,081.00		
American Water Restoration Grant (N.J.S.A. 40A:4-87 + \$30,400.00)		30,400.00	30,400.00		
Safe Route to Schools Grant:					
Shunpike Road (N.J.S.A. 40A:4-87 + \$545,000.00)		545,000.00	545,000.00		
Clean Communities Program (N.J.S.A. 40A:4-87 + \$23,354.63)		23,354.63	23,354.63		
Recycling Tonnage Grant	10,596.15	10,596.15	10,596.15		
Hintz Family Police Grant	10,000.00	10,000.00	10,000.00		
Womans Club Police Department Grant	30,000.00	30,000.00	30,000.00		
Summit Elks Police Department	1,000.00	1,000.00	1,000.00		
Municipal Alliance (N.J.S.A. 40A:4-87 + \$20,073.00)		20,073.00	20,073.00		

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
State and Federal Programs Offset by Revenue:					
Municipal Alliance - Matching Funds	\$ 4,000.00	\$ 4,000.00	\$ 3,259.12		\$ 740.88
Municipal Alliance - Supplemental (N.J.S.A. 40A:4-87 + \$3,000.00)		3,000.00	3,000.00		
Total Operations Excluded from "CAPS"	1,383,273.40	2,120,182.03	2,031,037.05	\$ 88,404.10	740.88
Detail:					
Other Expenses	1,383,273.40	2,120,182.03	2,031,037.05	88,404.10	740.88
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	92,500.00	92,500.00	92,500.00		
Total Capital Improvements - Excluded from "CAPS"	92,500.00	92,500.00	92,500.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	576,400.00	576,400.00	576,400.00		
Payment of Bond Anticipation Notes and Capital Notes	345,956.00	345,956.00	345,956.00		
Interest on Bonds	92,420.00	92,420.00	92,415.01		4.99
Interest on Notes	186,265.00	186,265.00	186,265.00		
Total Municipal Debt Service - Excluded from "CAPS"	1,201,041.00	1,201,041.00	1,201,036.01		4.99
Total General Appropriations - Excluded from "CAPS"	2,676,814.40	3,413,723.03	3,324,573.06	88,404.10	745.87
Subtotal General Appropriations	14,445,670.40	15,182,579.03	14,037,849.76	1,143,983.40	745.87
Reserve for Uncollected Taxes	1,508,110.00	1,508,110.00	1,508,110.00		
Total General Appropriations	\$ 15,953,780.40	\$ 16,690,689.03	\$ 15,545,959.76	\$ 1,143,983.40	\$ 745.87

Ref.

A

TOWNSHIP OF CHATHAM
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 15,953,780.40	
Added by N.J.S.A. 40A:4-87		<u>736,908.63</u>	
		<u>\$ 16,690,689.03</u>	
Cash Disbursed			\$ 12,903,674.32
Encumbrances Payable	A		401,867.58
Reserve for Uncollected Taxes			1,508,110.00
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			790,918.83
Local Matching Funds			<u>3,259.12</u>
			15,607,829.85
Less: Appropriation Refunds			<u>61,870.09</u>
			<u>\$ 15,545,959.76</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
TRUST FUNDS

TOWNSHIP OF CHATHAM
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>TOTAL ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 15,367.20	\$ 15,464.20
		<u>15,367.20</u>	<u>15,464.20</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	996,991.95	948,028.81
Due from Current Fund - Tax Sale Premiums	A	68,500.00	98,400.00
		<u>1,065,491.95</u>	<u>1,046,428.81</u>
<u>TOTAL ASSETS</u>		<u>\$ 1,080,859.15</u>	<u>\$ 1,061,893.01</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Fund Expenditures	B-5	\$ 15,367.20	\$ 15,464.20
		<u>15,367.20</u>	<u>15,464.20</u>
Other Trust Funds:			
Reserve for:			
Developer's Escrow		413,842.91	474,023.68
Unemployment Compensation Insurance		122,782.97	132,131.87
Recreation		177,184.27	195,672.51
Parking Offenses Adjudication Act		2,928.98	2,898.98
Open Space		185,905.16	54,656.45
Recycling		25,850.81	19,031.77
Police Outside Duty		17,564.00	23,779.00
Fire Penalty		562.24	554.81
Tax Sale Premiums		68,500.00	98,400.00
Forfeited Assets		5,715.06	5,638.74
Municipal Alliance		44,618.55	39,641.00
Community Pass		37.00	
		<u>1,065,491.95</u>	<u>1,046,428.81</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,080,859.15</u>	<u>\$ 1,061,893.01</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
GENERAL CAPITAL FUND

TOWNSHIP OF CHATHAM
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 780,766.85	\$ 1,373,314.55
Deferred Charges to Future Taxation:			
Funded		3,185,000.00	3,885,000.00
Unfunded	C-4	10,919,339.00	9,908,222.00
<u>TOTAL ASSETS</u>		<u>\$ 14,885,105.85</u>	<u>\$ 15,166,536.55</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 3,185,000.00	\$ 3,885,000.00
Bond Anticipation Notes Payable	C-7	9,161,839.00	9,908,222.00
Improvement Authorizations:			
Unfunded	C-5	936,706.53	543,341.96
Capital Improvement Fund	C-6	60,312.64	60,312.64
Reserve For:			
Senior Center		30,000.00	30,000.00
Encumbrances		1,311,963.97	536,013.49
Fund Balance	C-1	199,283.71	203,646.46
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 14,885,105.85</u>	<u>\$ 15,166,536.55</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref</u>	
Balance December 31, 2018	C	\$ 203,646.46
Increased by:		
Premium on Sale of Notes		70,637.78
		274,284.24
Decreased by:		
Fund Balance Anticipated - Current Fund	\$	75,000.00
Improvement Authorization Funded		0.53
		75,000.53
Balance December 31, 2019	C	\$ 199,283.71

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
SEWER UTILITY FUND #1

TOWNSHIP OF CHATHAM
SEWER UTILITY FUND #1
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	D-4	\$ 1,204,894.47	\$ 982,726.90
		<u>1,204,894.47</u>	<u>982,726.90</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-6	160,173.44	186,857.16
		<u>160,173.44</u>	<u>186,857.16</u>
Total Operating Fund		<u>1,365,067.91</u>	<u>1,169,584.06</u>
Assessment Fund:			
Cash and Cash Equivalents	D-4	174,558.03	121,177.78
Assessments Receivable	D-9	84,161.77	137,542.02
Assessment Liens Receivable	D-9A	5,159.68	5,159.68
Total Assessment Fund		<u>263,879.48</u>	<u>263,879.48</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	885,225.77	873,932.92
Wastewater Treatment Trust Loan Receivable		4,200.00	4,200.00
Fixed Capital	D-10	23,564,122.47	18,672,033.78
Fixed Capital Authorized and Uncompleted	D-11	1,626,048.03	8,350,000.00
Total Capital Fund		<u>26,079,596.27</u>	<u>27,900,166.70</u>
<u>TOTAL ASSETS</u>		<u>\$ 27,708,543.66</u>	<u>\$ 29,333,630.24</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY FUND #1
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	Ref.	December 31	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3;D-12	\$ 166,789.71	\$ 93,486.08
Encumbered	D-3;D-12	151,231.13	130,709.12
Total Appropriation Reserves		<u>318,020.84</u>	<u>224,195.20</u>
Prepaid/Overpaid Sewer Rents		14,342.86	8,800.63
Accrued Interest on Bonds		11,180.00	5,760.00
Accrued Interest on Notes			13,940.21
Accrued Interest on Loans		19,729.70	21,712.51
		<u>363,273.40</u>	<u>274,408.55</u>
Reserve for Receivables and Inventory	D	160,173.44	186,857.16
Fund Balance	D-1	841,621.07	708,318.35
		<u>841,621.07</u>	<u>708,318.35</u>
Total Operating Fund		<u>1,365,067.91</u>	<u>1,169,584.06</u>
Assessment Fund:			
Reserve for Assessments and Liens	D-13	89,321.45	142,701.70
Fund Balance	D-1A	174,558.03	121,177.78
		<u>174,558.03</u>	<u>121,177.78</u>
Total Assessment Fund		<u>263,879.48</u>	<u>263,879.48</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY FUND #1
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	Ref.	December 31	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Fund:			
Serial Bonds Payable	D-20	\$ 1,945,000.00	\$ 640,000.00
Bond Anticipation Notes Payable	D-18		1,106,000.00
Wastewater Treatment Loans Payable #1	D-19	20,000.00	47,455.95
Wastewater Treatment Loans Payable #2	D-19A	388,543.63	454,009.82
Wastewater Treatment Loans Payable #3	D-19B	4,183,050.76	4,457,554.38
Improvement Authorizations:			
Funded	D-14	144,161.55	587,584.11
Unfunded	D-14	328,537.20	2,170,550.97
Encumbrances Payable	D-14		63,176.50
Capital Improvement Fund	D-15	94,761.28	94,761.28
Reserve for Amortization	D-17	18,297,576.11	18,234,414.63
Deferred Reserve for Amortization	D-16	27,000.00	27,000.00
Fund Balance	D-1B	650,965.74	17,659.06
Total Capital Fund		<u>26,079,596.27</u>	<u>27,900,166.70</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 27,708,543.66</u>	<u>\$ 29,333,630.24</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #1
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 275,000.00	\$ 200,000.00
Sewer Rents		2,327,083.67	2,496,670.81
Miscellaneous Revenue		60,058.31	61,430.64
Sewer Assessment #1 Fund Balance			100,000.00
Sewer Utility Capital #1 Fund Balance			30,000.00
Sewer Utility Operating Fund #2 - Service Agreement		80,000.00	80,000.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		107,618.47	158,228.65
Total Income		<u>2,849,760.45</u>	<u>3,126,330.10</u>
<u>Expenditures</u>			
Budget Appropriations:			
Operating		1,560,000.00	1,477,891.82
Capital Improvements		30,000.00	30,000.00
Debt Service		810,133.73	977,056.14
Statutory Expenditures		41,324.00	39,552.04
Refund of Prior Year Revenue			1,067.55
Total Expenditures		<u>2,441,457.73</u>	<u>2,525,567.55</u>
Excess Revenue/Statutory Excess to Fund Balance		408,302.72	600,762.55
<u>Fund Balance</u>			
Balance January 1	E	708,318.35	307,555.80
		1,116,621.07	908,318.35
Decreased by:			
Utilized by Sewer Utility #1 Operating Budget		275,000.00	200,000.00
Balance December 31	E	<u>\$ 841,621.07</u>	<u>\$ 708,318.35</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
SEWER ASSESSMENT TRUST FUND #1
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2018	D	\$ 121,177.78
Increased by:		
Collection of Unpledged Assessments		<u>53,380.25</u>
Balance December 31, 2019	D	<u>\$ 174,558.03</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2018	D	\$ 17,659.06
Increased by:		
Premium on Bond Anticipation Notes	\$ 6,064.90	
Cancellation of Fully Funded Improvement Authorizations	<u>627,241.78</u>	
		<u>633,306.68</u>
Balance December 31, 2019	D	<u>\$ 650,965.74</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #1
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Anticipated	Realized	Excess or Deficit*
Fund Balance Anticipated	\$ 275,000.00	\$ 275,000.00	
Sewer Rents	2,075,000.00	2,327,083.67	\$ 252,083.67
Sewer Utility Operating Fund #2 Service Agreement	80,000.00	80,000.00	
Miscellaneous Revenue	27,000.00	60,058.31	33,058.31
	\$ 2,457,000.00	\$ 2,742,141.98	\$ 285,141.98
 <u>Analysis of Sewer Rents Realized:</u>			
Collections	\$ 2,318,283.04		
Prepaid/Overpaid Rents Applied	8,800.63		
		\$ 2,327,083.67	
 <u>Miscellaneous Revenue</u>			
Treasurer:			
Interest on Investments	\$ 33,975.96		
Interest on Sewer Rents	17,801.21		
Other Miscellaneous	7,603.08		
		\$ 59,380.25	
 Due from Sewer Assessment Trust Fund:			
Interest on Assessments		678.06	
		\$ 60,058.31	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #1
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Appropriation		Expended by			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operating:						
Salaries and Wages	\$ 560,000.00	\$ 560,000.00	\$ 543,206.32	\$ 16,793.68		
Other Expenses	1,000,000.00	1,000,000.00	866,230.16	133,769.84		
Capital Improvements:						
Capital Outlay	30,000.00	30,000.00	16,395.00	13,605.00		
Debt Service:						
Payment of Bond Principal	320,000.00	320,000.00	320,000.00			
Payment of Notes and Loans	367,426.00	367,426.00	367,425.76		\$ 0.24	
Interest on Bonds	71,770.00	71,770.00	56,230.00		15,540.00	
Interest on Notes and Loans	66,480.00	66,480.00	66,477.97		2.03	
Statutory Expenditures:						
Contribution to:						
Public Employee Retirement System	1,790.00	1,790.00		1,790.00		
Social Security System (O.A.S.I.)	39,534.00	39,534.00	38,702.81	831.19		
Total Sewer Utility Appropriations	<u>\$ 2,457,000.00</u>	<u>\$ 2,457,000.00</u>	<u>\$ 2,274,668.02</u>	<u>\$ 166,789.71</u>	<u>\$ 15,542.27</u>	

Ref.

D

Cash Disbursed
Encumbrances Payable
Accrued Interest on Bonds, Notes and Loans

\$ 2,000,728.92
151,231.13
122,707.97
\$ 2,274,668.02

D

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
SEWER UTILITY FUND #2

TOWNSHIP OF CHATHAM
SEWER UTILITY FUND #2
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 740,827.29	\$ 581,600.46
Receivable with Full Reserve:			
Consumer Accounts Receivable and Liens	E-6	22,773.60	22,208.01
Total Operating Fund		763,600.89	603,808.47
Capital Fund:			
Cash and Cash Equivalents	E-4	62,934.34	62,934.34
Fixed Capital	E-7	1,469,297.52	641,320.02
Fixed Capital Authorized and Uncomplete	E-8		825,000.00
Total Capital Fund		1,532,231.86	1,529,254.36
<u>TOTAL ASSETS</u>		<u>\$ 2,295,832.75</u>	<u>\$ 2,133,062.83</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3;E-9	\$ 152,325.97	\$ 59,523.12
Encumbered	E-3;E-9	80,251.94	25,875.60
		232,577.91	85,398.72
Prepaid/Overpaid Sewer Rents		2,996.86	1,840.42
Accrued Interest on Bonds		360.00	720.00
		235,934.77	87,959.14
Reserve for Receivables	E	22,773.60	22,208.01
Fund Balance	E-1	504,892.52	493,641.32
Total Operating Fund		763,600.89	603,808.47

TOWNSHIP OF CHATHAM
SEWER UTILITY FUND #2
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Fund:			
Serial Bonds Payable	E-14	\$ 10,000.00	\$ 20,000.00
Improvement Authorizations:			
Funded	E-10		13,261.88
Capital Improvement Fund	E-11	16,500.00	16,500.00
Reserve for Amortization	E-9	1,459,297.52	1,446,320.02
Fund Balance	E-1A	46,434.34	33,172.46
		<u>1,532,231.86</u>	<u>1,529,254.36</u>
		<u>\$ 2,295,832.75</u>	<u>\$ 2,133,062.83</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>			

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #2
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2019</u>	<u>2018</u>
<u>Revenue and Other Income Realized</u>			
Operating Surplus Anticipated		\$ 159,000.00	\$ 139,000.00
Rents		546,684.41	574,226.30
Miscellaneous Revenue Not Anticipated		12,359.93	10,360.15
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		63,666.86	119,867.98
Total Income		<u>781,711.20</u>	<u>843,454.43</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		560,000.00	530,000.00
Capital Outlay		30,920.00	30,380.00
Debt Service		10,720.00	11,620.00
Statutory Expenditures		9,820.00	9,000.00
Total Expenditures		<u>611,460.00</u>	<u>581,000.00</u>
Statutory Excess to Fund Balance		170,251.20	262,454.43
<u>Fund Balance</u>			
Balance January 1		493,641.32	370,186.89
		663,892.52	632,641.32
Decreased by:			
Utilized as Anticipated Revenue		159,000.00	139,000.00
Balance December 31	E	<u>\$ 504,892.52</u>	<u>\$ 493,641.32</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2018	E	\$ 33,172.46
Increased by:		
Cancellation of Fully Funded Improvement Authorization		<u>13,261.88</u>
Balance December 31, 2019	E	<u><u>\$ 46,434.34</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #2
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u> <u>Anticipated</u>	<u>Realized</u>	<u>Excess/ Deficit*</u>
Operating Surplus Anticipated	\$ 159,000.00	\$ 159,000.00	
Sewer Rents	453,000.00	546,684.41	\$ 93,684.41
	<u>612,000.00</u>	<u>705,684.41</u>	<u>93,684.41</u>
Miscellaneous Revenue Not Anticipated		12,359.93	12,359.93
	<u>\$ 612,000.00</u>	<u>\$ 718,044.34</u>	<u>\$ 106,044.34</u>

Analysis of Sewer Rents Realized:

Collections	\$ 544,843.99
Prepaid/Overpaid Sewer Rents Applied	<u>1,840.42</u>
	<u>\$ 546,684.41</u>

Analysis of Miscellaneous Revenue Not Anticipated

Treasurer:	
Interest on Delinquent Sewer Rents	\$ 1,712.31
Interest on Investments	<u>10,647.62</u>
	<u>\$ 12,359.93</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #2
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 140,000.00	\$ 140,000.00	\$ 109,685.07	\$ 30,314.93	
Other Expenses	340,000.00	340,000.00	233,680.12	106,319.88	
Other Expenses - Service Agreement - Sewer #1	80,000.00	80,000.00	80,000.00		
Capital Improvements:					
Capital Outlay	30,920.00	30,920.00	16,395.00	14,525.00	
Debt Service:					
Payment of Bond Principal	10,000.00	10,000.00	10,000.00		
Interest on Bonds	1,260.00	1,260.00	720.00		\$ 540.00
Statutory Expenditures:					
Social Security System (OASI)	9,820.00	9,820.00	8,653.84	1,166.16	
	<u>\$ 612,000.00</u>	<u>\$ 612,000.00</u>	<u>\$ 459,134.03</u>	<u>\$ 152,325.97</u>	<u>\$ 540.00</u>
				E	
Cash Disbursed			\$ 378,162.09		
Encumbrances Payable			80,251.94		
Accrued Interest on Bonds			720.00		
			<u>\$ 459,134.03</u>		

Ref.

E

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF CHATHAM
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2019	2018
<u>ASSETS</u>		
Land	\$ 15,976,283.00	\$ 15,976,283.00
Land Improvements	2,610,235.00	2,610,235.00
Buildings and Improvements	9,841,089.00	9,592,664.00
Equipment	1,823,025.00	1,735,236.00
Vehicles	3,896,734.00	4,153,037.00
	<u>\$ 34,147,366.00</u>	<u>\$ 34,067,455.00</u>
<u>TOTAL ASSETS</u>	<u>\$ 34,147,366.00</u>	<u>\$ 34,067,455.00</u>
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 34,147,366.00	\$ 34,067,455.00
<u>TOTAL RESERVES</u>	<u>\$ 34,147,366.00</u>	<u>\$ 34,067,455.00</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such 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 Township accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund - Receipt, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Sewer Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned sewer utilities.

General Fixed Assets Account Group - Estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E - "Basis of Accounting".

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The following is a summary of the significant accounting policies.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 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.

Had the Township's financial statements been prepared under generally accepted accounting principles, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; investments would generally be stated at fair value; fixed assets purchased by the Sewer Utility Capital Funds would be depreciated and the Township's net OPEB liability and net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

The cash basis of accounting is followed in the Trust Funds.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded deferred charges represent improvement authorizations where permanent financing has been obtained. Unfunded deferred charges represent improvement authorizations where no or temporary financing has been obtained. A municipality can permanently finance unfunded deferred charges through budget appropriation, grant funds, or by issuing bonds, loans or capital lease purchase agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

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

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include (Cont'd):

General Fixed Assets - In accordance with N.J.A.C. accounting requirements, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets and buildings are recorded at actual historical cost, except for land which is recorded at assessed value in the year of acquisition. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the general fixed assets account group may also be recorded in the current fund, general capital fund, and sewer utility funds. The values recorded in the general fixed assets account group and the current and capital funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

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

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for Current and Sewer Utility Operating Funds and Open Space Trust Fund. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2019	2018	2017
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 12,346,839.00	\$ 13,793,222.00	\$ 14,485,750.00
Sewer Utility Fund #1:			
Bonds, Notes and Loans	6,536,594.39	6,705,020.15	7,549,853.11
Sewer Utility Fund #2:			
Bonds, Notes and Loans	10,000.00	20,000.00	30,000.00
Net Debt Issued	<u>18,893,433.39</u>	<u>20,518,242.15</u>	<u>22,065,603.11</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	1,757,500.00		
Sewer Utility Fund #1:			
Bonds and Notes	329,000.00	2,055,599.00	1,532,599.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 19,222,433.39</u>	<u>\$ 22,573,841.15</u>	<u>\$ 23,598,202.11</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 0.392%.

	Gross Debt	Deductions	Net Debt
Regional School District Debt	\$ 22,469,624.09	\$ 22,469,624.09	
Sewer Utility Fund #1 Debt	6,865,594.39	6,865,594.39	
Sewer Utility Fund #2 Debt	10,000.00	10,000.00	
General Debt	14,104,339.00		\$ 14,104,339.00
	<u>\$ 43,449,557.48</u>	<u>\$ 29,345,218.48</u>	<u>\$ 14,104,339.00</u>

Net Debt: \$14,104,339.00 divided by Average Equalized Valuations of \$3,594,093,724.00 of Real Property = 0.392%.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

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

3-1/2% Average Equalized Valuation of Real Property \$ 125,793,280.34

Net Debt 14,104,339.00

Remaining Borrowing Power \$ 111,688,941.34

Calculation of "Self-Liquidating Purpose", Sewer Utility #1 Per
N.J.S. 40A:2-45 - Sewer Utility Fund #1

Cash Receipts from Fees, Rents or Other Charges for Year \$ 2,742,141.98

Deductions:

Operating and Maintenance Costs \$ 1,601,324.00

Debt Service 810,133.73

2,411,457.73

Excess in Revenue \$ 330,684.25

Calculation of "Self-Liquidating Purpose", Sewer Utility #2 Per
N.J.S. 40A:2-45 - Sewer Utility Fund #2

Cash Receipts from Fees, Rents or Other Charges for Year \$ 718,044.34

Deductions:

Operating and Maintenance Costs \$ 569,820.00

Debt Service 10,720.00

580,540.00

Excess in Revenue \$ 137,504.34

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/17	Additions	Retirements	Balance 12/31/18
Serial Bonds:				
General Capital Fund	\$ 4,560,000.00		\$ 675,000.00	\$ 3,885,000.00
Sewer Utility #1 Capital Fund	960,000.00		320,000.00	640,000.00
Sewer Utility #2 Capital Fund	30,000.00		10,000.00	20,000.00
Bond Anticipation Notes:				
General Capital Fund	9,925,750.00	\$ 9,908,222.00	9,925,750.00	9,908,222.00
Sewer Utility #1 Capital Fund	1,256,000.00	1,106,000.00	1,256,000.00	1,106,000.00
Loans Payable:				
Sewer Utility #1 Capital Fund: Wastewater Treatment Loans	5,333,853.11		374,832.96	4,959,020.15
	<u>\$ 22,065,603.11</u>	<u>\$ 11,014,222.00</u>	<u>\$ 12,561,582.96</u>	<u>\$ 20,518,242.15</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/18	Additions	Retirements	Balance 12/31/19
Serial Bonds:				
General Capital Fund	\$ 3,885,000.00		\$ 700,000.00	\$ 3,185,000.00
Sewer Utility #1 Capital Fund	640,000.00	\$ 1,625,000.00	320,000.00	1,945,000.00
Sewer Utility #2 Capital Fund	20,000.00		10,000.00	10,000.00
Bond Anticipation Notes:				
General Capital Fund	9,908,222.00	9,161,839.00	9,908,222.00	9,161,839.00
Sewer Utility #1 Capital Fund	1,106,000.00		1,106,000.00	
Loans Payable:				
Sewer Utility #1 Capital Fund: Wastewater Treatment Loans	4,959,020.15		367,425.76	4,591,594.39
	<u>\$ 20,518,242.15</u>	<u>\$ 10,786,839.00</u>	<u>\$ 12,411,647.76</u>	<u>\$ 18,893,433.39</u>

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

The Township's bonded debt, loans, and notes issued and outstanding on December 31, 2019 is described as follows:

<u>General Capital Serial Bonds</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
General Bonds of 2006	02/01/22	3.75%	\$ 1,670,000.00
General Bonds of 2013	11/15/26	2.00-2.625%	1,515,000.00
			<u>\$ 3,185,000.00</u>
<u>Sewer Capital #1 Serial Bonds</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Improvements to Sewer System	05/01/29	2.00%	\$ 1,625,000.00
Improvements to Sewer System	11/01/20	5.40%	320,000.00
			<u>\$ 1,945,000.00</u>
<u>Sewer Capital #2 Serial Bonds</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Improvements to Sewer System	11/01/20	5.40%	<u>\$ 10,000.00</u>
<u>General Capital Bond Anticipation Notes Payable</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Capital Improvements	04/09/20	2.50%	\$ 7,161,839.00
Purchase of Open Space	04/09/20	2.50%	2,000,000.00
			<u>\$ 9,161,839.00</u>
<u>Sewer Capital #1 Wastewater Treatment Loans Payable</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Chatham Glen/Tanglewood Modifications WPC Plant #1	08/01/20	5.00-5.25%	\$ 20,000.00
	08/01/25	4.00-4.50%	388,543.63
	08/01/33	3.00-5.00%	4,183,050.76
			<u>\$ 4,591,594.39</u>
Total Debt Issued and Outstanding			<u>\$ 18,893,433.39</u>

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for the Next Five
Years and Thereafter for Bonded Debt Issued and Outstanding

Calendar Year	General Capital		Sewer Utility Capital		Sewer Utility #2 Capital		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 735,000.00	\$ 86,281.25	\$ 420,000.00	\$ 49,320.00	\$ 10,000.00	\$ 540.00	\$ 1,301,141.25
2021	765,000.00	61,662.50	170,000.00	28,800.00			1,025,462.50
2022	775,000.00	36,475.00	170,000.00	25,400.00			1,006,875.00
2023	215,000.00	21,681.25	170,000.00	22,000.00			428,681.25
2024	225,000.00	17,112.50	170,000.00	18,600.00			430,712.50
2025-2029	470,000.00	18,350.00	845,000.00	42,050.00			1,375,400.00
Total	<u>\$ 3,185,000.00</u>	<u>\$ 241,562.50</u>	<u>\$ 1,945,000.00</u>	<u>\$ 186,170.00</u>	<u>\$ 10,000.00</u>	<u>\$ 540.00</u>	<u>\$ 5,568,272.50</u>

Wastewater Treatment Loans Payable

On November 9, 2000, the Township entered into an agreement with the New Jersey Environmental Infrastructure Trust for a Wastewater Treatment Loan, in the amount of \$275,000, which represents a direct obligation of the Township. The loan agreement was obtained to finance improvements to the Sewer Utility system.

Principal payments on the Loan commenced on August 1, 2002, and will continue on an annual basis through August 1, 2020 at interest rates varying from 5.00-5.25%. The Township will be responsible for all such interest and principal payments.

Additionally, on November 10, 2005, the Township entered into an agreement with the New Jersey Environmental Infrastructure Trust for a Wastewater Treatment Loan, in the amount of \$630,000, which represents a direct obligation of the Township. The loan agreement was obtained to finance improvements to the Sewer Utility system.

Principal payments on the Loan commenced on August 1, 2007, and will continue on an annual basis through August 1, 2025 at interest rates varying from 4.00-4.50%. The Township will be responsible for all such interest and principal payments.

Furthermore, on May 21, 2014, the Township entered into two agreements with the New Jersey Environmental Infrastructure Trust for Wastewater Treatment Loans, in the amount of \$5,467,401, which represents a direct obligation of the Township. The loan agreements were obtained to finance improvements to the Sewer Utility system.

Principal payments on the Loan commenced on August 1, 2015, and will continue on an annual basis through August 1, 2033 at interest rates varying from 3.00-5.00%. The Township will be responsible for all such interest and principal payments.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

Wastewater Treatment Loans Payable (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for the Next Five
Years and Thereafter for Loans Issued and Outstanding

Calendar Year	Sewer Utility Capital		Total
	Wastewater Treatment Loans		
	Principal	Interest	
2020	\$ 372,213.55	\$ 52,612.52	\$ 424,826.07
2021	356,063.74	46,762.52	402,826.26
2022	354,945.86	41,762.53	396,708.39
2023	367,021.92	36,762.52	403,784.44
2024	345,816.66	31,293.76	377,110.42
2025-2029	1,547,518.10	96,450.02	1,643,968.12
2030-2033	1,248,014.56	29,356.27	1,277,370.83
Total	\$ 4,591,594.39	\$ 335,000.14	\$ 4,926,594.53

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$7,270,102 at June 30, 2018. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$8,900,587 at June 30, 2018. See Note 5 for further information on the PERS and PFRS.

Net OPEB Liability

The Township's Net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan at June 30, 2018 was calculated to be \$17,850,545. See Note 16 for further information on these net OPEB liabilities.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2019 which was included in the Current Fund and the Sewer Utility Operating Funds' introduced budgets for the year ending December 31, 2020 is as follows:

Current Fund	\$ 3,000,000.00
Sewer Utility Fund #1	200,000.00
Sewer Utility Fund #2	139,000.00

Note 4: Regional School District 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 Township has not elected to defer school taxes.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans

Township employees participate in one of the three contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee’s Retirement System (PERS) or the State of New Jersey Police and Firemen’s Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees’ Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to 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 members 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 50 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.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$356,726 for 2018.

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability was \$7,270,102 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Township's proportion was 0.0369%, which was an increase of 0.015% from its proportion measured as of June 30, 2017. The Township has rolled forward the net pension liability as of June 30, 2018 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2018 pension information in the Notes to the Financial Statements as the June 30, 2019 pension information has not been released as of the date of this audit.

For the year ended December 31, 2018 the Township recognized actual pension expense in the amount of \$356,726.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

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

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

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

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans (Cont'd)

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

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Township's proportionate share of the Net Pension Liability	\$ 9,141,316	\$ 7,270,102	\$ 5,700,274

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

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

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

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

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual amounts over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2018 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2018 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$591,913 for the year ended December 31, 2018. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$71,602 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$143,204.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability for its proportionate share of the net pension liability was \$8,900,587. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

contributions of all participating members, actuarially determined. At June 30, 2018, the Township's proportion was 0.065%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017. The Township has rolled forward the net pension liability to June 30, 2018 with no adjustments. The State of New Jersey Police and Firemen’s Retirement System (PFRS)’ valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2018 pension information in the Notes to the Financial Statements as the June 30, 2019 pension information has not been released as of the date of this audit.

Additionally, the State’s proportionate share of the net pension liability attributable to the Township is \$1,208,998 as of June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the State's proportion was 0.065%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017 which is the same proportion as the Township’s. The Township has rolled forward the net pension liability as of June 30, 2018 with no adjustments. The State of New Jersey Police and Firemen’s Retirement System (PFRS) valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

Township's Proportionate Share of the Net Pension Liability	\$	8,900,587
State's Proportionate Share of the Net Pension Liability Associated with the Township		1,208,998
Total Net Pension Liability	\$	10,109,585

For the year ended December 31, 2018, the Township recognized total pension expense of \$591,913.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.00%

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2018 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	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate – PFRS

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

Sensitivity of the Total Net Pension Liability (including the State’s proportionate share of the net pension liability attributable to the Township) to Changes in the Discount Rate

The following presents the total net pension liability (including the State’s proportionate share of the net pension liability attributable to the Township) as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 13,530,424	\$ 10,109,585	\$ 7,288,015

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 5: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$2,002.63 for the year ended December 31, 2019. Employee contributions to DCRP amounted to \$2,719.77 for the year ended December 31, 2019.

Note 6: Accrued Sick Benefits

The Township permits employees to accrue a limited amount of unused sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$180,000 at December 31, 2019. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$ 1.854	\$ 1.833	\$ 1.787
<u>Apportionment of Tax Rate</u>			
Municipal	0.320	0.320	0.300
County	0.297	0.292	0.291
Regional School	1.237	1.221	1.196
<u>Assessed Valuations</u>			
2019	<u>\$ 3,227,080,772</u>		
2018		<u>\$ 3,192,199,538</u>	
2017			<u>\$ 3,145,668,685</u>

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections Currently

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 60,193,989.36	\$ 59,768,031.68	99.29%
2018	59,025,448.30	58,565,472.59	99.22%
2017	56,665,493.80	55,832,448.12	98.52%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government’s deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below and on the following page.

Custodial Credit Risk – The Township’s policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

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, 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.

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

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Deposits: (Cont'd)

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if 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, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Township to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

As of December 31, 2019, cash and cash equivalents of the Township consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Totals</u>
Current	\$ 170.00	\$ 5,901,288.96	\$ 5,901,458.96
Animal Control		15,367.20	15,367.20
Other Trust		996,991.95	996,991.95
General Capital		780,766.85	780,766.85
Sewer Utility Operating Fund		1,204,894.47	1,204,894.47
Sewer Utility Assessment Fund		174,558.03	174,558.03
Sewer Utility Capital Fund		885,225.77	885,225.77
Sewer Utility #2 Operating Fund		740,827.29	740,827.29
Sewer Utility #2 Capital Fund		62,934.34	62,934.34
	<u>\$ 170.00</u>	<u>\$ 10,762,854.86</u>	<u>\$ 10,763,024.86</u>

During the period ended December 31, 2019, the Township held no investment accounts. The carrying amount of the Township's cash and cash equivalents at December 31, 2019, was \$10,763,024.86 and the bank balance was \$10,806,438.17.

Note 9: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

The Township is a member of the Morris County Municipal Joint Insurance Fund. The Fund is both an insured and self-administered group of municipalities established for the purpose of providing certain employee benefits for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by this fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 9: Risk Management (Cont'd)

The December 31, 2019 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2018 is as follows:

Total Assets	\$ 33,810,987
Net Position	\$ 13,583,877
Total Revenue	\$ 18,922,853
Total Expenses	\$ 20,499,425
Change in Net Position	\$ (1,576,572)
Members Dividends	\$ -0-

Financial statements for these funds are available at the Office of the Executive Director:

Morris County Municipal Joint Insurance Fund
PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State.

The following is a summary of Township contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Township’s expendable trust fund for the current and previous two years:

Year	Township Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2019	\$ -0-	\$ 7,515.03	\$ 1,721.44	\$ 18,585.37	\$ 122,782.97
2018	-0-	7,440.14	1,194.42	5,361.73	132,131.87
2017	-0-	6,994.10	583.50	5,646.72	128,859.04

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 10: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		\$ 169,287.70
Federal and State Grant Funds	\$ 100,787.70	
Other Trust Funds	68,500.00	
	<u>\$ 169,287.70</u>	<u>\$ 169,287.70</u>

The interfund receivable in the Federal and State Grant Fund represents the net of Federal and State grant expenditures paid and grant receipts collected by the Current Fund.

The interfund receivable in the Other Trust Funds represents the balance of tax sale premiums as of December 31, 2019.

Note 11: Open Space Trust Fund

The Township created in 1997 an Open Space Trust Fund with a tax levy of up to \$.006 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2019, the balance in the Open Space Trust Fund was \$185,905.16.

Note 12: Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Note 13: Economic Dependency

The Township of Chatham receives a substantial amount of support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

Note 14: Deferred Compensation Plans

The Township offers its employees deferred compensation plans (the "plans") created in accordance with Section 457 of the Internal Revenue Code. The plans, which are administered by Great West and AXA Equitable, are available to all Township employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 15: Fixed Assets

The following is a summarization of general fixed assets for the year ended December 31, 2019 and 2018:

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2019</u>
Land	\$ 15,976,283.00			\$ 15,976,283.00
Land Improvements	2,610,235.00			2,610,235.00
Buildings and Improvements	9,592,664.00	\$ 248,425.00		9,841,089.00
Equipment	1,735,236.00	87,789.00		1,823,025.00
Vehicles	4,153,037.00	76,897.00	\$ 333,200.00	3,896,734.00
	<u>\$ 34,067,455.00</u>	<u>\$ 413,111.00</u>	<u>\$ 333,200.00</u>	<u>\$ 34,147,366.00</u>
	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>
Land	\$ 15,976,283.00			\$ 15,976,283.00
Land Improvements	2,600,530.00	\$ 9,705.00		2,610,235.00
Buildings and Improvements	9,587,090.00	5,574.00		9,592,664.00
Equipment	1,650,069.00	85,167.00		1,735,236.00
Vehicles	4,005,269.00	147,768.00		4,153,037.00
	<u>\$ 33,819,241.00</u>	<u>\$ 248,214.00</u>	<u>\$ -0-</u>	<u>\$ 34,067,455.00</u>

Note 16: Post-Employment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits’ (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 16: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

In accordance with the Township's resolution, Township employees are entitled to the following benefits:

The coverage applies to the employee and dependents. In the event of an employee's death, coverage ceases. In order to be eligible for this benefit, the employee must have a minimum of twenty-five (25) years of full-time service in the pension system and ten (10) years of full-time service with the Township.

Contributions

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 16: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Allocation Methodology (Cont'd)

separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense Related to OPEB

The total OPEB liability as of June 30, 2019 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

At June 30, 2018, the Township had a liability of \$17,850,545 for its proportionate share of the net OPEB liability. At June 30, 2018, the Township's proportion was 0.113% which was an increase of 0.004% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018 the Township's OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was \$475,724.

The Township's actual post retirement payments in 2019 for 62 retiree employees were \$714,773.76.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

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

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

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 16: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially is 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post 65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Discount Rate

The following presents the net OPEB Liability of the Township as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Township would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Net OPEB Liability Attributable to the Township	\$ 20,943,409	\$ 17,850,545	\$ 15,380,047

TOWNSHIP OF CHATHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 16: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Healthcare Trend Rate

The following presents the net OPEB Liability of the Township as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Township would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Township	\$ 14,890,217	\$ 17,850,545	\$ 21,681,650

Note 17: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey had caused disruption of the Township's normal financial operations with the municipal office closed to the public and minimal staff working on site. Though the impact on the Township's operations cannot be reasonable estimated at this date, it is likely that there will be an impact on tax collections as well as other revenue in the Operating Funds.

TOWNSHIP OF CHATHAM

SUPPLEMENTARY DATA

TOWNSHIP OF CHATHAM
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2019

Name	Title	Amount of Bond	Name of Corporate Surety
Tayfun Selen	Mayor	**	
Michael Kelly	Deputy Mayor	**	
Karen Swartz	Committee Member	**	
Curt Ritter	Committee Member	**	
Tracy Ness	Committee Member	**	
Robert Hoffmann	Township Administrator	**	
Debra King	Chief Financial Officer	\$ 1,000,000.00	MCMJIF/ MELJIF
Antonia Russo	Tax Collector, Utility Collector and Tax Search Officer	\$ 1,000,000.00	MCMJIF/ MELJIF
Gregory LaConte	Township Clerk, Assessment/Subdivision Searcher, Registrar of Vital Statistics, Dog Licensing Official, Board of Health Secretary	**	
Richard Young	Superintendent of Public Works	**	
Gregory Impink	Construction Code Official	**	
Dennis Bettler	Fire Official	**	
Glen Sherman	Township Tax Assessor	**	
Thomas Miller	Police Chief	**	
Michael Zalis	Fire Chief GVFD	**	
Matthew Lemons	Fire Chief CTFD	**	

All bonds were examined and were properly executed.

** All employees, who are not specifically bonded, are covered under \$1,000,000 Faithful Performance Blanket Bonds with the Municipal Excess Liability Joint Insurance Fund.

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
CURRENT FUND

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Balance December 31, 2018	<u>Ref.</u> A	\$ 5,978,288.74
Increased by Receipts:		
Tax Collector	\$ 61,173,381.73	
Revenue Accounts Receivable	1,746,557.01	
Interest on Investments	114,956.66	
Miscellaneous Revenue Not Anticipated	603,611.24	
Due Federal and State Grant Fund:		
Grant Receivable	283,224.11	
Unappropriated Reserves	112,275.94	
Due Other Trust Funds:		
Interest Earned	2,968.01	
Due General Capital Fund:		
Interest Earned	15,895.80	
Due to the State of New Jersey:		
Marriage License Fees	850.00	
DCA Training Fees	25,890.00	
Veterans and Senior Citizens' Deductions	46,828.08	
Appropriation Refunds	61,870.09	
	<hr/>	64,188,308.67
		<hr/>
		70,166,597.41
Decreased by Disbursements:		
2019 Appropriation Expenditures	12,903,674.32	
2018 Appropriation Reserves	347,539.60	
Regional School Taxes	39,903,037.00	
County Taxes	9,625,455.96	
Due Other Trust Funds:		
Open Space Tax Levy	324,671.17	
Tax Overpayments	51,166.00	
Due to the State of New Jersey:		
Marriage License Fees	850.00	
DCA Training Fees	25,890.00	
Third Party Tax Title Liens	721,118.70	
Tax Sale Premiums	31,000.00	
Refund of Prior Year Revenue	29,180.21	
Due Federal and State Grant Fund:		
Appropriated Grant Reserves	301,725.49	
	<hr/>	64,265,308.45
		<hr/>
		64,265,308.45
Balance December 31, 2019	A	<u><u>\$ 5,901,288.96</u></u>

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2019

Increased by Receipts:	
Taxes Receivable	\$ 59,657,891.01
2020 Prepaid Taxes	586,702.67
Interest and Costs on Taxes	149,444.32
Tax Overpayments	56,625.03
Tax Sale Premiums	1,100.00
Third Party Tax Liens	721,118.70
Other Miscellaneous	500.00
	<hr/>
	61,173,381.73
Decreased by:	
Paid to Treasurer	<u><u>\$ 61,173,381.73</u></u>

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2018	2019 Levy	Collections		Overpayments Applied	NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2019
			2018	2019					
2013	\$ 17,994.18							\$ 17,994.18	
2014	28,677.00							28,677.00	
2015	28,908.00							28,908.00	
2016	29,023.50							29,023.50	
2017	30,527.32		\$ 1,041.82					29,485.50	
2018	424,328.02		394,083.52					30,244.50	
	559,458.02		395,125.34					164,332.68	
2019	\$ 559,458.02	\$ 60,193,989.36	\$ 455,128.19	\$ 59,262,765.67	\$ 3,137.82	\$ 47,000.00	\$ 37,414.35	\$ 387,799.59	
	\$ 559,458.02	\$ 60,193,989.36	\$ 455,128.19	\$ 59,657,891.01	\$ 3,137.82	\$ 47,000.00	\$ 37,414.35	\$ 552,132.27	
Ref.	A							A	

Analysis of 2019 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 59,830,077.51
Added, Omitted & Rollback Taxes	363,911.85
	<u>\$ 60,193,989.36</u>
Tax Levy:	
Regional School District Taxes	\$ 9,567,162.07
County Taxes	58,293.89
Due County for Added and Omitted Taxes	
Due Other Trust Funds:	
Local Tax for Open Space	322,708.08
Additional Taxes Levied	1,963.09
	<u>324,671.17</u>
Local Tax for Municipal Purposes Levied	49,853,164.13
Minimum Library Tax Levied	
Additional Taxes Levied	8,814,540.00
	1,205,263.20
	321,022.03
	<u>10,340,825.23</u>
	<u>\$ 60,193,989.36</u>

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 294,872.69
Increased by:		
Transfer from Taxes Receivable		\$ 743.74
Adjustment to Prior Year Tax Title Liens		<u>52.00</u>
		<u>795.74</u>
		295,668.43
Decreased by:		
Transferred to Property Acquired for Taxes		<u>291,527.70</u>
Balance December 31, 2019	A	<u><u>\$ 4,140.73</u></u>

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Accrued</u>	<u>Collected</u>
Licenses:		
Alcoholic Beverage Licenses	\$ 9,510.00	\$ 9,510.00
Other Licenses	7,425.00	7,425.00
Fees and Permits:		
Fire Alarms	490.00	490.00
Registrar	867.00	867.00
Surface Grading	45,506.00	45,506.00
Sewer Inspection	2,350.00	2,350.00
Street Opening	37,700.00	37,700.00
Planning and Zoning	17,475.00	17,475.00
Septic/Well	610.00	610.00
Solicitor	337.00	337.00
Building Inspector	22,395.00	22,395.00
Municipal Court:		
Fines and Costs	68,908.51	68,908.51
Energy Tax Receipts	836,467.00	836,467.00
Uniform Construction Code Fees	458,263.00	458,263.00
Colony Pool Dues and Membership Fees	163,253.50	163,253.50
Capital Fund Balance Anticipated	75,000.00	75,000.00
	<u>\$ 1,746,557.01</u>	<u>\$ 1,746,557.01</u>

TOWNSHIP OF CHATHAM
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2018	Budget Revenue Realized	Cash Received	Transferred From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2019
Municipal Alliance Program	\$ 20,073.00	\$ 20,073.00	\$ 17,391.70		\$ 2,681.30	\$ 20,073.00
Municipal Alliance Program - Supplemental	3,000.00	3,000.00	3,000.00			3,000.00
Clean Communities Program		23,354.63	23,354.63			
Body Armor		2,414.05	2,410.97	\$ 3.08		
New Jersey American Water Parkview Road Restoration Grant		30,400.00	30,400.00			
Edward and Helen Hintz Police Grant		10,000.00		10,000.00		
Womans Club Police Department		30,000.00	30,000.00			
Summit Elks Police Department		1,000.00	1,000.00			
New Jersey Department of Transportation: Spring and Lafayette Street Improvements	578,000.00					578,000.00
Long Hill Road Improvements	47,500.00					47,500.00
Safe Route to Schools Grant: Lafayette Design	81,958.73		65,270.66			16,688.07
Shunpike Road	374,000.00	545,000.00				919,000.00
Federal Aid Highway Program: Shunpike Road	100,000.00	115,081.00			200.00	115,081.00
FEMA Emergency Generator Grant		10,596.15	99,800.00			
Recycling Tonnage Grant			10,596.15			
	<u>\$ 1,204,531.73</u>	<u>\$ 790,918.83</u>	<u>\$ 283,224.11</u>	<u>\$ 10,003.08</u>	<u>\$ 2,881.30</u>	<u>\$ 1,699,342.07</u>
<u>Ref.</u>	A					A
Federal Grants			\$ 165,070.66			
State Grants			56,753.45			
Local Grants			61,400.00			
			<u>\$ 283,224.11</u>			

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
General Administration:				
Salaries & Wages	\$ 5,173.07	\$ 5,173.07	\$ 460.00	\$ 4,713.07
Other Expenses	12,354.03	12,354.03	11,744.03	610.00
Mayor and Council:				
Salaries & Wages	1,000.00	1,000.00		1,000.00
Municipal Clerk:				
Salaries & Wages	15,152.64	15,152.64		15,152.64
Other Expenses	3,765.72	3,765.72	2,263.12	1,502.60
Financial Administration:				
Salaries & Wages	5,744.51	5,744.51		5,744.51
Other Expenses	209.75	209.75	209.75	
Audit Services:				
Other Expenses	35,400.00	35,400.00	35,400.00	
Computerized Data Processing				
Salaries & Wages	1,841.97	1,841.97		1,841.97
Other Expenses	1,181.98	1,181.98	1,181.98	
Revenue Administration (Tax Collection):				
Salaries & Wages	2,797.57	2,797.57		2,797.57
Other Expenses	2,961.96	2,961.96	2,961.96	
Tax Assessment Administration:				
Salaries & Wages	71.36	71.36		71.36
Other Expenses	1,669.45	1,669.45	1,669.45	
Legal Services and Costs:				
Other Expenses	37,842.26	47,842.26	47,842.26	
Engineering Services and Costs:				
Other Expenses	17,613.27	37,613.27	37,109.36	503.91
Municipal Land Use Law:				
Planning Board:				
Salaries & Wages	3,500.00	3,500.00		3,500.00
Other Expenses	17,293.09	17,293.09	17,293.09	
Board of Adjustment:				
Salaries & Wages	5,000.00	5,000.00	350.00	4,650.00
Other Expenses	2,224.86	2,224.86	155.17	2,069.69
General Liability Insurance	153.66	153.66		153.66
Group Insurance Plan for Employees	16,754.90	16,754.90	16,179.70	575.20
Fire:				
Other Expenses	35,415.50	35,415.50	31,525.41	3,890.09
Contractual Radio Dispatch	46.53	46.53		46.53
Municipal Court:				
Other Expenses	784.66	784.66		784.66
Police:				
Salaries & Wages	217,390.87	177,390.87	4,189.45	173,201.42
Other Expenses	21,066.94	21,066.94	20,452.32	614.62

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Emergency Management Services:				
Salaries & Wages	\$ 2,500.00	\$ 2,500.00		\$ 2,500.00
Other Expenses	500.00	500.00		500.00
Street and Road Repairs and Maintenance:				
Salaries & Wages	26,477.22	26,477.22	\$ 3,646.51	22,830.71
Other Expenses	90,562.70	90,562.70	50,123.15	40,439.55
Solid Waste Collection:				
Other Expenses	74,456.92	74,456.92	31,267.58	43,189.34
Public Building and Grounds:				
Other Expenses	19,402.90	19,402.90	8,561.80	10,841.10
Vehicle Maintenance:				
Other Expenses	11,229.32	11,229.32	5,449.47	5,779.85
Tree Protection:				
Other Expenses	1,000.00	1,000.00		1,000.00
Board of Health:				
Salaries & Wages	516.56	516.56		516.56
Other Expenses	17,384.29	17,384.29	739.04	16,645.25
Animal Control:				
Other Expenses	95.92	95.92	95.92	
Environmental Commission:				
Other Expenses	527.62	527.62		527.62
Board of Recreation Commissioners:				
Salaries & Wages	5,000.00	5,000.00		5,000.00
Other Expenses	1,928.86	1,928.86	549.81	1,379.05
Colony Pool:				
Salaries & Wages	8,830.04	8,830.04		8,830.04
Other Expenses	8,302.98	8,302.98	569.73	7,733.25
Maintenance of Parks:				
Other Expenses	500.00	500.00		500.00
Celebration of Public Events	1,555.67	1,555.67		1,555.67
Construction Code Official:				
Salaries & Wages	56,918.22	56,918.22	4,105.00	52,813.22
Other Expenses	8,871.95	8,871.95	667.82	8,204.13
Utilities:				
Electricity	31,035.48	31,035.48	5,519.31	25,516.17
Street Lighting	2,192.09	2,192.09		2,192.09
Telephone	1,423.42	1,423.42	19.40	1,404.02
Water	9,145.64	9,145.64	565.96	18,579.68
Natural Gas	10,850.03	10,850.03	5,442.99	5,407.04
Gasoline	6,583.32	6,583.32		6,583.32

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Contributions to:				
DCRP	\$ 3,156.05	\$ 3,156.05		\$ 3,156.05
Contingent	500.00	500.00		500.00
Operations Excluded from "CAPS":				
Fair Housing Act:				
Affordable Housing:				
Other Expenses	3,809.02	3,809.02	\$ 3,809.02	
Length of Service Award Program (LOSAP)	<u>8,600.00</u>	<u>8,600.00</u>		<u>8,600.00</u>
	<u>\$ 878,266.77</u>	<u>\$ 878,266.77</u>	<u>\$ 352,119.56</u>	<u>\$ 526,147.21</u>
<u>Balance December 31, 2018:</u>				
Unencumbered	A \$ 579,267.61			
Encumbered	A <u>298,999.16</u>			
	<u>\$ 878,266.77</u>			
		Cash Disbursed	\$ 347,539.60	
		Accounts Payable	<u>4,579.96</u>	
			<u>\$ 352,119.56</u>	

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2019

Ref.

Increased by:

Levy - Calendar Year 2019

\$ 39,903,037.00

Decreased by:

Payments to Regional School District

\$ 39,903,037.00

TOWNSHIP OF CHATHAM
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES - FEDERAL AND STATE GRANTS

	Balance Dec. 31, 2018	Dec. 31, 2018 Encumbrances Payable Returned	Transferred from 2019 Budget Appropriations	Expended	Cancelled	Encumbrances Payable	Balance Dec. 31, 2019
Clean Communities Grant			\$ 23,354.63	\$ 23,354.63			
Investor's Tree Grant	\$ 465.00		465.00	465.00			
Municipal Alliance Grant			20,073.00	20,073.00			
Municipal Alliance Grant - Matching Funds			3,259.12	3,259.12			
Municipal Alliance Grant - Supplemental			3,000.00	3,000.00			
Body Armor Replacement Fund	4,021.65	\$ 2,012.00	2,414.05	5,894.00		\$ 864.20	\$ 1,689.50
New Jersey American Water Lafayette Avenue Restoration Grant	59,120.00			59,120.00			
New Jersey American Water Parkview Road Restoration Grant	130,751.05	852.00	30,400.00	30,400.00			45,469.10
Recycling Tonnage Grant			10,596.15	96,730.10			
New Jersey Department of Transportation: Spring and Lafayette Street Improvements	578,000.00	46,153.44		43,472.63		2,680.81	578,000.00
Safe Route to Schools Grant - Lafayette Design			545,000.00				919,000.00
Safe Route to Schools Grant - Shunpike Road	374,000.00		115,081.00				115,081.00
Federal Aid Highway Program - Shunpike Road					\$ 200.00		
FEMA Emergency Generator Grant	200.00		10,000.00			10,000.00	
Edward and Helen Hintz Police Grant			30,000.00			14,042.99	
Womans Club Police Department			1,000.00	15,957.01			
Summit Elks Police Department							1,000.00
Melvin Reinhart Police Grant	26.23					26.23	
	<u>\$ 1,146,583.93</u>	<u>\$ 49,017.44</u>	<u>\$ 794,177.95</u>	<u>\$ 301,725.49</u>	<u>\$ 200.00</u>	<u>\$ 27,614.23</u>	<u>\$ 1,660,239.60</u>
<u>Ref.</u>	A					A	A
Federal Grants			\$ 660,081.00	\$ 43,472.63			
State Grants			59,437.83	149,051.73			
Local Grants/Local Match			74,659.12	109,201.13			
			<u>\$ 794,177.95</u>	<u>\$ 301,725.49</u>			

TOWNSHIP OF CHATHAM
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES - FEDERAL AND STATE GRANTS

	Balance Dec. 31, 2018	Cash Received	Transferred to Grants Receivable	Balance Dec. 31, 2019
Body Armor Replacement Fund	\$ 3.08		\$ 3.08	
Recycling Tonnage Grant		\$ 12,275.94		\$ 12,275.94
Chatham Athletic Grant		100,000.00		100,000.00
Edward and Helen Hintz Police Grant	10,000.00		10,000.00	
	\$ 10,003.08	\$ 112,275.94	\$ 10,003.08	\$ 112,275.94
<u>Ref.</u>	A			A
State Grants		\$ 12,275.94		
Local Grants		100,000.00		
		\$ 112,275.94		

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
TRUST FUNDS

TOWNSHIP OF CHATHAM
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2018	B	\$ 15,464.20	\$ 948,028.81
Increased by Receipts:			
Township Dog License Fees		\$ 7,108.20	
Penalties on Dog License Fees		170.00	
Cat License Fees		128.00	
Penalties on Cat License Fees			
State Dog License Fees		517.80	
Prepaid Municipal Licenses			
Interest Earned		286.81	\$ 2,968.01
Reserve for:			
Developers' Deposits			410,468.97
Unemployment Compensation Insurance			9,236.47
Recreation			41,875.89
Recycling			21,644.04
Parking Offenses Adjudication Act			30.00
Open Space Trust Fund:			
Open Space Tax Levy			324,671.17
Interest Earned			2,307.62
State Reimbursements			217,942.98
Police Outside Duty			222,125.50
Fire Penalty			7.43
Forfeited Assets			76.32
Municipal Alliance			30,091.84
Community Pass			156,455.48
		<u>8,210.81</u>	<u>1,439,901.72</u>
		23,675.01	2,387,930.53
Decreased by Disbursements:			
Due to State of New Jersey		517.80	
Due Current Fund:			
Current Year Interest		286.81	2,968.01
Current Year Statutory Excess		7,503.20	
Reserve for:			
Developers' Deposits Refunds			470,649.74
Unemployment Compensation Insurance			18,585.37
Recreation			60,364.13
Recycling			14,825.00
Open Space Trust Fund			413,673.06
Police Outside Duty			228,340.50
Municipal Alliance			25,114.29
Community Pass			156,418.48
		<u>\$ 8,307.81</u>	<u>\$ 1,390,938.58</u>
Balance December 31, 2019	B	<u>\$ 15,367.20</u>	<u>\$ 996,991.95</u>

TOWNSHIP OF CHATHAM
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2018	B	\$ 15,464.20
Increased by:		
Dog License Fees		\$ 7,108.20
Penalties on Dog License Fees		170.00
Cat License Fees		128.00
Interest Earnings		286.81
		7,693.01
		23,157.21
Decreased by:		
Due to Current Fund:		
Interest Returned		286.81
Statutory Excess		7,503.20
		7,790.01
Balance December 31, 2019	B	\$ 15,367.20
<u>License Fees Collected</u>		
2017		\$ 7,949.00
2018		7,418.32
		15,367.32
Maximum Allowable Reserve		\$ 15,367.32

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
GENERAL CAPITAL FUND

TOWNSHIP OF CHATHAM
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 1,373,314.55
Increased by Receipts:		
Budget Appropriation:		
Capital Improvement Fund		\$ 92,500.00
Deferred Charges to Future Taxation Unfunded		345,956.00
Due from Open Space Trust		237,588.18
Premium on Sale of Notes		70,637.78
Bond Anticipation Notes Issued		9,161,839.00
Due Current Fund:		
Interest Earned		15,895.80
		<u>9,924,416.76</u>
		<u>11,297,731.31</u>
Decreased by Disbursements:		
Improvement Authorizations		517,846.66
Anticipated Revenue - Current Fund:		
Fund Balance Anticipated		75,000.00
Bond Anticipation Notes Matured		9,908,222.00
Due Current Fund:		
Interest Earned		15,895.80
		<u>10,516,964.46</u>
Balance December 31, 2019	C	<u>\$ 780,766.85</u>

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

Ord. Number	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Funded by Various Sources	Improvement Authorizations Cancelled	Balance Dec. 31, 2019	Bond Anticipation Notes	Analysis of Balance Dec. 31, 2019	
								Expenditures	Unexpended Improvement Authorizations
2009-12	Various Capital Improvements 2009	\$ 148,484.00		\$ 19,766.00		\$ 128,718.00	\$ 128,718.00		
2010-10	Various Capital Improvements 2010	319,135.00		28,365.00		290,770.00	290,770.00		
2010-18	Purchase of Communication Equipment	227,500.00		17,500.00		210,000.00	210,000.00		
2011-11	Various Capital Improvements 2011	545,485.00		23,515.00		521,970.00	521,970.00		
2012-06	Various Capital Improvements 2012	479,976.00		28,274.00		451,702.00	451,702.00		
2013-10	Various Capital Improvements 2013	520,000.00		32,500.00		487,500.00	487,500.00		
2014-10	Various Capital Improvements 2014	635,140.00		36,110.00		599,030.00	599,030.00		
2015-12	Various Capital Improvements 2015	2,345,252.00		124,748.00		2,220,504.00	2,220,504.00		
2016-13	Various Capital Improvements 2016	840,750.00		35,178.00		805,572.00	805,572.00		
2017-07	Various Capital Improvements 2017	1,453,500.00				1,453,500.00	1,453,500.00		
2017-10	Woodland Road Pathway Extension	99,750.00			\$ 427.00	99,323.00	99,323.00		
2017-12	Acquisition of Open Space	1,500,000.00		400,000.00		1,100,000.00	1,100,000.00		
2018-10	Various Improvements and Acquisitions	793,250.00				793,250.00	793,250.00		
2019-11	Various Improvements and Acquisitions		\$ 1,757,500.00			1,757,500.00		\$ 1,061,986.10	\$ 695,513.90
		\$ 9,908,222.00	\$ 1,757,500.00	\$ 745,956.00	\$ 427.00	\$ 10,919,339.00	\$ 9,161,839.00	\$ 1,061,986.10	\$ 695,513.90

Ref.

C

C

Budget Appropriation
Open Space Trust Reserve

\$ 345,956.00
400,000.00
\$ 745,956.00

Improvement Authorizations - Unfunded
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:
Various Capital Improvements 2015
Various Capital Improvements 2017
Various Capital Improvements 2018

\$ 936,706.53
\$ 15,875.77
50,000.00
175,316.86
241,192.63
\$ 695,513.90

TOWNSHIP OF CHATHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance December 31, 2018		2019 Authorizations		Prior Year Encumbrances Returned	Paid or Charged	Authorizations Cancelled	Balance December 31, 2019	
				Unfunded	Funded by Various Sources	Deferred Charges to Future Taxation Unfunded	Funded by Various Sources				Unfunded	Funded
2015-12	Various Capital Improvements 2015	05/14/15	2,600,000.00	\$ 25,846.73					\$ 9,970.96		\$	15,875.77
2016-13	Various Capital Improvements 2016	06/09/16	885,000.00	9,318.00			\$ 238,502.89		247,820.89			
2017-07	Various Capital Improvements 2017	05/11/17	1,530,000.00	51,340.25			40,331.31		41,671.56			50,000.00
2017-10	Woodland Road Pathway Extension	06/08/17	105,000.00	426.47		\$ 0.53				\$ 427.00		
2017-12	Acquisition of Open Space	06/08/17	2,000,000.00	162,411.82						162,411.82		
2018-10	Various Improvements and Acquisitions	04/26/18	835,000.00	293,998.69			257,179.29		375,861.12			175,316.86
2019-11	Various Improvements and Acquisitions	06/27/19	1,850,000.00		\$ 1,757,500.00	92,500.00			1,154,486.10			695,513.90
				\$ 543,341.96	\$ 1,757,500.00	\$ 92,500.53	\$ 536,013.49		\$ 1,829,810.63	\$ 162,838.82		\$ 936,706.53
				C								
				Capital Improvement Fund	\$ 92,500.00							
				Capital Fund Balance	0.53							
					\$ 92,500.53							
				C								
				Cash Disbursed	\$ 517,846.66							
				Encumbrances Payable	1,311,963.97							
					\$ 1,829,810.63							
					C							
				Due to Open Space Trust Fund	\$ 162,411.82					\$ 162,411.82		
				Deferred Charges to Future Taxation Unfunded	427.00					427.00		
					\$ 162,838.82					\$ 162,838.82		

TOWNSHIP OF CHATHAM
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 60,312.64
Increased by:		
Current Fund Budget Appropriation		<u>92,500.00</u>
		152,812.64
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>92,500.00</u>
Balance December 31, 2019	C	<u><u>\$ 60,312.64</u></u>

TOWNSHIP OF CHATHAM
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Issue of Original Note	Date of			Interest Rate	Balance Dec. 31, 2018	Issued	Matured	Balance Dec. 31, 2019
			Issue	Maturity						
2009-12	Various Capital Improvements 2009	7/24/09	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	\$ 148,484.00	\$ 128,718.00	\$ 148,484.00	\$ 128,718.00	
2010-10	Various Capital Improvements 2010	07/23/10	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	319,135.00	290,770.00	319,135.00	290,770.00	
2010-18	Purchase of Communication Equipment	07/23/10	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	227,500.00	210,000.00	227,500.00	210,000.00	
2011-11	Various Capital Improvements 2011	07/22/11	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	545,485.00	521,970.00	545,485.00	521,970.00	
2012-06	Various Capital Improvements 2012	7/20/12	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	479,976.00	451,702.00	479,976.00	451,702.00	
2013-10	Various Capital Improvements 2013	07/19/13	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	520,000.00	487,500.00	520,000.00	487,500.00	
2010-14	Various Capital Improvements 2014	7/17/14	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	635,140.00	599,030.00	635,140.00	599,030.00	
205-12	Various Capital Improvements 2015	07/17/15	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	2,345,252.00	2,220,504.00	2,345,252.00	2,220,504.00	
2016-13	Various Capital Improvements 2016	07/13/16	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	840,750.00	805,572.00	840,750.00	805,572.00	
2017-07	Various Capital Improvements 2017	07/13/17	07/11/18 04/09/19	05/01/19 04/09/20	2.75% 2.50%	1,453,500.00	1,453,500.00	1,453,500.00	1,453,500.00	

TOWNSHIP OF CHATHAM
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Date of		Interest Rate	Maturity	Balance Dec. 31, 2018	Issued	Matured	Balance Dec. 31, 2019
		Issue	Original Note						
2017-10	Woodland Road Pathway Extension	07/11/18	07/13/17	2.75%	05/01/19	\$ 99,750.00	\$ 99,323.00	\$ 99,750.00	\$ 99,323.00
		04/09/19		2.50%	04/09/20				
2017-12	Purchase of Open Space	07/11/18	11/15/17	2.75%	05/01/19	1,500,000.00	1,100,000.00	1,500,000.00	1,100,000.00
		04/09/19		2.50%	04/09/20				
2018-10	Various Improvements and Acquisitions	07/11/18	07/11/18	2.75%	05/01/19	793,250.00	793,250.00	793,250.00	793,250.00
		04/09/19		2.50%	04/09/20				
						<u>\$ 9,908,222.00</u>	<u>\$ 9,161,839.00</u>	<u>\$ 9,908,222.00</u>	<u>\$ 9,161,839.00</u>
						C			C
						Ref.			
Renewed							\$ 9,161,839.00	\$ 9,161,839.00	
Redeemed								400,427.00	
Paid by Budget Appropriation								345,956.00	
							<u>\$ 9,161,839.00</u>	<u>\$ 9,908,222.00</u>	

TOWNSHIP OF CHATHAM
 GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding Dec. 31, 2019		Interest Rate	Balance Dec. 31, 2018	Matured	Balance Dec. 31, 2019
			Date	Amount				
General Bonds of 2006	2/1/2006	\$ 6,910,000.00	2/1/20	\$ 540,000.00	3.750%			
			2/1/21	565,000.00	3.750%			
			2/1/22	565,000.00	3.750%	\$ 2,185,000.00	\$ 515,000.00	\$ 1,670,000.00
General Bonds of 2013	11/15/2013	2,550,000.00	11/15/20	195,000.00	2.000%			
			11/15/21	200,000.00	2.000%			
			11/15/22	210,000.00	2.000%			
			11/15/23	215,000.00	2.125%			
			11/15/24	225,000.00	2.250%			
			11/15/25	230,000.00	2.500%			
			11/15/26	240,000.00	2.625%	1,700,000.00	185,000.00	1,515,000.00
						<u>\$ 3,885,000.00</u>	<u>\$ 700,000.00</u>	<u>\$ 3,185,000.00</u>

Ref. C C

Budget Appropriations	\$ 576,400.00
Open Space Trust Fund	123,600.00
	<u>\$ 700,000.00</u>

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

Ord. No.	Purpose	Balance Dec. 31, 2018	2019 Authorizations	Funded by Various Sources	Improvement Authorizations Cancelled	Bond Anticipation Notes Issued	Bond Anticipation Notes Redeemed	Balance Dec. 31, 2019
2009-12	Various Capital Improvements 2009			\$ 19,766.00		\$ 128,718.00	\$ 148,484.00	
2010-10	Various Capital Improvements 2010			28,365.00		290,770.00	319,135.00	
2010-18	Purchase of Communication Equipment			17,500.00		210,000.00	227,500.00	
2011-11	Various Capital Improvements 2011			23,515.00		521,970.00	545,485.00	
2012-06	Various Capital Improvements 2012			28,274.00		451,702.00	479,976.00	
2013-10	Various Capital Improvements 2013			32,500.00		487,500.00	520,000.00	
2014-10	Various Capital Improvements 2014			36,110.00		599,030.00	635,140.00	
2015-12	Various Capital Improvements 2015			124,748.00		2,220,504.00	2,345,252.00	
2016-13	Various Capital Improvements 2016			35,178.00		805,572.00	840,750.00	
2017-07	Various Capital Improvements 2017				\$ 427.00	1,453,500.00	1,453,500.00	
2017-10	Woodland Road Pathway Extension					99,323.00	99,750.00	
2017-12	Purchase of Open Space			400,000.00		1,100,000.00	1,500,000.00	
2018-10	Various Public Improvements and Acquisitions					793,250.00	793,250.00	
2019-11	Various Public Improvements and Acquisitions		\$ 1,757,500.00					\$ 1,757,500.00
		\$ -0-	\$ 1,757,500.00	\$ 745,956.00	\$ 427.00	\$ 9,161,839.00	\$ 9,908,222.00	\$ 1,757,500.00
	Budget Appropriation			\$ 345,956.00				
	Open Space Trust Fund			400,000.00				
				\$ 745,956.00				

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
SEWER UTILITY FUND #1

TOWNSHIP OF CHATHAM
SEWER UTILITY FUNDS #1
SCHEDULE OF CASH - TREASURER

<u>Ref.</u>	<u>Operating</u>	<u>Assessment Trust</u>	<u>Capital</u>
Balance December 31, 2018	\$ 982,726.90	\$ 121,177.78	\$ 873,932.92
Increased by Receipts:			
Sewer Rents	\$ 2,318,283.04		
Interest on Delinquent Sewer Rents	17,801.21		
Interest on Investments	33,975.96		
Prepaid Sewer Rents	14,342.86		
Miscellaneous Revenue	7,603.08		
Sewer Assessment Collections	\$ 53,380.25		
Due Sewer Utility Operating Fund #1:			
Interest on Investments		\$ 1,839.20	\$ 13,530.71
Interest on Assessments Receivable		678.06	
Due from Sewer Utility Assessment Fund #1:			
Interest on Assessments Receivable	678.06		
Due Sewer Utility Capital Fund #1:			
Interfund Advanced	1,631,064.90		
Due From Sewer Operating Utility Fund #2:			
Service Agreement	80,000.00		6,064.90
Fund Balance - Premium on Serial Bond			1,625,000.00
Serial Bonds Issued			
Appropriation Reserve Refunds	4,504.50		
	4,108,253.61	55,897.51	1,644,595.61
	5,090,980.51	177,075.29	2,518,528.53

TOWNSHIP OF CHATHAM
SEWER UTILITY FUNDS #1
SCHEDULE OF CASH - TREASURER

<u>Ref.</u>	<u>Operating</u>	<u>Assessment Trust</u>	<u>Capital</u>
Decreased by Disbursements:			
2019 Budget Appropriations	\$ 2,000,728.92		
2018 Appropriation Reserves	121,081.23		
Accrued Interest on Bonds	50,810.00		
Accrued Interest on Notes	24,500.97		
Accrued Interest on Loan	57,900.02		
Due Sewer Utility Capital Fund #1:			
Interfund Returned	1,631,064.90		
Improvement Authorizations		\$ 513,772.05	
Bond Anticipation Notes		1,106,000.00	
Due Sewer Utility Operating Fund #1:			
Interest on Assessments Receivable	\$ 678.06		
Interest on Investments	1,839.20		
	<u>\$ 3,886,086.04</u>	<u>\$ 2,517.26</u>	<u>\$ 1,633,302.76</u>
Balance December 31, 2019	<u>\$ 1,204,894.47</u>	<u>\$ 174,558.03</u>	<u>\$ 885,225.77</u>

TOWNSHIP OF CHATHAM
SEWER ASSESSMENT TRUST FUND #1
ANALYSIS OF SEWER ASSESSMENT TRUST CASH

	Balance	<u>Receipts</u>		<u>Disbursements</u>	Balance
	<u>Dec. 31, 2018</u>	<u>Assessments</u> <u>Receivable</u>	<u>Miscellaneous</u>	<u>Miscellaneous</u>	<u>Dec. 31, 2019</u>
Fund Balance	\$ 121,177.78	\$ 53,380.25			\$ 174,558.03
Due Sewer Utility Operating Fund #1			\$ 2,517.26	\$ 2,517.26	
	<u>\$ 121,177.78</u>	<u>\$ 53,380.25</u>	<u>\$ 2,517.26</u>	<u>\$ 2,517.26</u>	<u>\$ 174,558.03</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
ANALYSIS OF SEWER CAPITAL CASH

Fund Balance	Balance/ (Deficit) Dec. 31, 2018	Receipts		Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2019
		Serial Bonds Issued	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
Capital Improvement Fund	\$ 17,659.06		\$ 6,064.90						\$ 650,965.74
Wastewater Treatment Loans Receivable	94,761.28								94,761.28
Due to Sewer Utility Operating Fund #1	(4,200.00)		13,530.71		\$ 13,530.71				(4,200.00)
Reserve for Encumbrances Payable	63,176.50						\$ 63,176.50		
Ord. No.	Improvement Description								
2013-15	Chatham Glen/Tanglewood								
2004-15	Modifications WPC Plant #1								
2006-19	Engineering Work for Sewer Extension	\$ 82,500.00			\$ 82,500.00		578,289.81		
	Engineering Work Regarding WPC Plant #1	88,500.00			88,500.00				
2008-16	Various Improvements Regarding WPC Plant #1	135,000.00			135,000.00				
2016-18	Various Sewer Improvements and Acquisition of New Vehicle	800,000.00		\$ 45,169.00	800,000.00		48,951.97	62,669.00	83,500.00
2018-17	Various Sewer Improvements and Upgrade Electric and Remove Storage Tank	519,000.00		468,140.25				507.50	60,661.55
2019-13	The Removal of Underground Storage Tanks and Installation of Above Ground Tanks			462.80					(462.80)
		\$ 1,625,000.00	\$ 19,595.61	\$ 513,772.05	\$ 1,106,000.00	\$ 13,530.71	\$ 690,418.28	\$ 690,418.28	\$ 885,225.77

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #1
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE AND LIENS

	<u>Ref.</u>	
Balance December 31, 2018	D	\$ 186,857.16
Increased by:		
Sewer Rents		\$ 2,301,624.95
Interest on Delinquent Sewer Rents		17,801.21
		2,319,426.16
		2,506,283.32
Decreased by:		
Collections:		
Sewer Rents		2,318,283.04
Prepaid/Overpaid Sewer Rents Applied		8,800.63
		2,327,083.67
Interest on Delinquent Sewer Rents		17,801.21
Cancelled by Resolution		1,225.00
		2,346,109.88
Balance December 31, 2019	D	\$ 160,173.44

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #1
SCHEDULE OF INVENTORY
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
SEWER ASSESSMENT TRUST FUND #1
SCHEDULE OF PROSPECTIVE ASSESSMENTS RAISED BY UTILITY REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
SEWER ASSESSMENT TRUST FUND #1
SCHEDULE OF UTILITY SHARE OF SEWER ASSESSMENT BONDS ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
SEWER ASSESSMENT TRUST FUND #1
SCHEDULE OF AMOUNT TO BE RAISED BY FUTURE REVENUE FOR CANCELLED ASSESSMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
SEWER ASSESSMENT TRUST FUND #1
SCHEDULE OF ASSESSMENTS RECEIVABLE

Ord. No.	Improvement Description	Date of Confirmation	Annual Installments	Due Dates	Balance Dec. 31, 2018	Collected	Balance Dec. 31, 2019	Balance Pledged to Reserve
08-140	Assessments Receivable: River Road, Fairmont Ave, Johnson Dr., Mountain & Candance Lane - Sanitary Sewer Project	7/17/2008	15	09/15/08-23	\$ 137,542.02	\$ 53,380.25	\$ 84,161.77	\$ 84,161.77
					<u>\$ 137,542.02</u>	<u>\$ 53,380.25</u>	<u>\$ 84,161.77</u>	<u>\$ 84,161.77</u>

Ref. D D

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #1
SCHEDULE OF ASSESSMENTS LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2018	D	<u>\$ 5,159.68</u>
Balance December 31, 2019	D	<u><u>\$ 5,159.68</u></u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF FIXED CAPITAL

	<u>Balance Dec. 31, 2018</u>	<u>Additions By Budget- Capital Outlay</u>	<u>Transfer from Fixed Capital Authorized and Uncompleted</u>	<u>Balance Dec. 31, 2019</u>
Sewer Plant Improvements	\$ 18,672,033.78	\$ 2,977.50	\$ 4,889,111.19	\$ 23,564,122.47
	<u>\$ 18,672,033.78</u>	<u>\$ 2,977.50</u>	<u>\$ 4,889,111.19</u>	<u>\$ 23,564,122.47</u>
<u>Ref.</u>	D			D

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ord. No.	Improvement Description	Balance Dec. 31, 2018	2019 Improvement Authorizations	Authorizations Cancelled	Transfer to Fixed Capital	Balance Dec. 31, 2019
2013-15	Chatham Glen/Tanglewood Modifications WPC Plant #1	\$ 7,000,000.00		\$ 2,110,888.81	\$ 4,889,111.19	
2016-18	Various Sewer Improvements and Acquisition of Vehicle	800,000.00		48,951.97		\$ 751,048.03
2018-17	Various Sewer Improvements and Upgrade Electric and Remove Storage Tank	550,000.00				550,000.00
		<u>\$ 8,350,000.00</u>	<u>\$ 325,000.00</u>	<u>\$ 2,159,840.78</u>	<u>\$ 4,889,111.19</u>	<u>\$ 1,626,048.03</u>

Ref.

D

D

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #1
SCHEDULE OF 2018 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Other Expenses	\$ 212,439.58	\$ 212,439.58	\$ 115,110.53	\$ 97,329.05
Capital Improvements:				
Capital Outlay	9,814.07	9,814.07		9,814.07
Statutory Expenditures:				
Public Employees Retirement System	1,789.52	1,789.52	1,466.20	323.32
Social Security System (OASI)	152.03	152.03		152.03
	<u>\$ 224,195.20</u>	<u>\$ 224,195.20</u>	<u>\$ 116,576.73</u>	<u>\$ 107,618.47</u>

Ref.

Balance December 31, 2018

Unencumbered	D \$ 93,486.08
Encumbered	D <u>130,709.12</u>
	<u>\$ 224,195.20</u>

Cash Disbursed	\$ 121,081.23
Less: Refunds	<u>4,504.50</u>
	<u>\$ 116,576.73</u>

TOWNSHIP OF CHATHAM
SEWER ASSESSMENT TRUST FUND #1
SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Collections to Fund Balance</u>	<u>Balance Dec. 31, 2019</u>
	<u>Assessments Receivable:</u>			
08-140	River Road, Fairmont Ave, Johnson Dr., Mountain & Candance Lane - Sanitary Sanitary Sewer Project	\$ 137,542.02	\$ 53,380.25	\$ 84,161.77
	<u>Assessments Liens:</u>			
3-66	Sanitary Sewers - River and Club Roads	3,271.65		3,271.65
4-66	Lateral Sewers - First Stage	1,888.03		1,888.03
		<u>\$ 142,701.70</u>	<u>\$ 53,380.25</u>	<u>\$ 89,321.45</u>
	<u>Ref.</u>	D		D

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Date	Ordinance Amount	Balance December 31, 2018		2019 Authorizations Deferred Charges to Future Revenue	Prior Year Encumbrances Returned	Paid or Charged	Cancelled	Balance December 31, 2019	
				Funded	Unfunded					Funded	Unfunded
2013-15	Chatham Glen/Tanglewood Modifications WPC Plant #1	08/15/2013	\$ 7,000,000.00	\$ 578,289.81	\$ 1,532,599.00			\$ 2,110,888.81			
2016-18	Various Sewer Improvements and Acquisition of Vehicle	07/21/2016	800,000.00		114,951.97		\$ 62,669.00	\$ 45,169.00	48,951.97	\$ 83,500.00	
2018-17	Various Sewer Improvements and Upgrade Electric and Remove Storage Tank	08/16/2018	550,000.00	9,294.30	523,000.00		507.50	468,140.25		60,661.55	\$ 4,000.00
2019-13	The Removal of Underground Storage Tanks and Installation of Above Ground Tanks	06/27/2019	325,000.00			\$ 325,000.00		462.80			324,537.20
				<u>\$ 587,584.11</u>	<u>\$ 2,170,550.97</u>	<u>\$ 325,000.00</u>	<u>\$ 63,176.50</u>	<u>\$ 513,772.05</u>	<u>\$ 2,159,840.78</u>	<u>\$ 144,161.55</u>	<u>\$ 328,537.20</u>
				Ref.	D	D				D	D
									Capital Fund Balance	\$ 627,241.78	
									Bonds & Notes Authorized but Not Issued	1,532,599.00	
										<u>\$ 2,159,840.78</u>	

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2018	E	\$ 94,761.28
Balance December 31, 2019	E	<u>\$ 94,761.28</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>		
Balance December 31, 2018	E	\$	27,000.00
Balance December 31, 2019	E	\$	<u>27,000.00</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2018	D	\$ 18,234,414.63
Increased by:		
Serial Bonds Paid by Operating Budget	\$	320,000.00
Wastewater Treatment Loans Paid by Operating Budget		367,425.76
Capital Outlay:		
2019 Budget Appropriations		<u>2,977.50</u>
		<u>690,403.26</u>
Decreased By:		
Improvement Authorizations Cancelled		<u>627,241.78</u>
Balance December 31, 2019	D	<u>\$ 18,297,576.11</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF BOND ANTICIPATION NOTES

Ord. No.	Improvement Description	Date of			Interest Rate	Balance	
		Original Issue	Issue	Maturity		Dec. 31, 2018	Dec. 31, 2019
2004-15	Engineering Work for Sewer Extension	12/18/08	07/11/18	05/01/19	2.75%	\$ 82,500.00	\$ 82,500.00
2006-19	Engineering Work Regarding WPC Plant #1	12/18/08	07/11/18	05/01/19	2.75%	88,500.00	88,500.00
2008-16	Various Improvements Regarding WPC Plant #1	12/18/08	07/11/18	05/01/19	2.75%	135,000.00	135,000.00
2016-18	Various Sewer Improvements and Acquisition of Vehicle	07/13/16	07/11/18	05/01/19	2.75%	800,000.00	800,000.00
						<u>\$ 1,106,000.00</u>	<u>\$ 1,106,000.00</u>
					<u>Ref.</u>	D	D
					Serial Bonds Issued	\$ 1,106,000.00	\$ 1,106,000.00
						<u>\$ 1,106,000.00</u>	<u>\$ -0-</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
WASTEWATER TREATMENT TRUST LOAN PAYABLE - LOAN #1

<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Matured</u>	<u>Balance Dec. 31, 2019</u>
Chatham Glen/Tanglewood Modifications WPC Plant #1	<u>\$ 47,455.95</u>	<u>\$ 27,455.95</u>	<u>\$ 20,000.00</u>
<u>Ref.</u>	D		D

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
OUTSTANDING DECEMBER 31, 2019

<u>Due Date</u>	<u>Trust Principal</u>	<u>Trust Interest</u>	<u>Fund Principal</u>	<u>Balance</u>
				\$ 20,000.00
2020	<u>\$ 20,000.00</u>	<u>\$ 1,050.00</u>		
	<u>\$ 20,000.00</u>	<u>\$ 1,050.00</u>	<u>\$ -0-</u>	

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
WASTEWATER TREATMENT TRUST LOAN PAYABLE - LOAN #2

<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Matured</u>	<u>Balance Dec. 31, 2019</u>
Chatham Glen/Tanglewood Modifications WPC Plant #1	<u>\$ 454,009.82</u>	<u>\$ 65,466.19</u>	<u>\$ 388,543.63</u>
<u>Ref.</u>	D		D

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
OUTSTANDING DECEMBER 31, 2019

<u>Due Date</u>	<u>Trust Principal</u>	<u>Trust Interest</u>	<u>Fund Principal</u>	<u>Balance</u>
				\$ 388,543.63
2020	\$ 40,000.00	\$ 11,206.26	\$ 32,709.93	315,833.70
2021	40,000.00	9,406.26	31,560.12	244,273.58
2022	40,000.00	7,656.26	30,442.24	173,831.34
2023	45,000.00	5,906.26	32,518.30	96,313.04
2024	45,000.00	3,937.50	6,313.04	45,000.00
2025	45,000.00	1,968.72		
	<u>\$ 255,000.00</u>	<u>\$ 40,081.26</u>	<u>\$ 133,543.63</u>	

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
WASTEWATER TREATMENT TRUST LOAN PAYABLE - LOAN #3

<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Matured</u>	<u>Balance Dec. 31, 2019</u>
Chatham Glen/Tanglewood Modifications WPC Plant #1	<u>\$ 4,457,554.38</u>	<u>\$ 274,503.62</u>	<u>\$ 4,183,050.76</u>
<u>Ref.</u>	D		D

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
OUTSTANDING DECEMBER 31, 2019

<u>Due Date</u>	<u>Trust Principal</u>	<u>Trust Interest</u>	<u>Fund Principal</u>	<u>Balance of Loan</u>
				\$ 4,183,050.76
2020	\$ 60,000.00	\$ 40,356.26	\$ 219,503.62	3,903,547.14
2021	65,000.00	37,356.26	219,503.62	3,619,043.52
2022	65,000.00	34,106.26	219,503.62	3,334,539.90
2023	70,000.00	30,856.26	219,503.62	3,045,036.28
2024	75,000.00	27,356.26	219,503.62	2,750,532.66
2025	75,000.00	23,606.26	219,503.62	2,456,029.04
2026	80,000.00	21,356.26	219,503.62	2,156,525.42
2027	80,000.00	18,956.26	219,503.62	1,857,021.80
2028	85,000.00	16,556.26	219,503.62	1,552,518.18
2029	85,000.00	14,006.26	219,503.62	1,248,014.56
2030	90,000.00	11,456.26	219,503.62	938,510.94
2031	90,000.00	8,756.26	219,503.62	629,007.32
2032	95,000.00	6,056.26	219,503.62	314,503.70
2033	95,000.00	3,087.50	219,503.70	
	<u>\$ 1,110,000.00</u>	<u>\$ 293,868.88</u>	<u>\$ 3,073,050.76</u>	

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF SEWER CAPITAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding Dec. 31, 2019		Interest Rate	Balance Dec. 31, 2018	Issued	Matured	Balance Dec. 31, 2019
			Date	Amount					
Improvements to Sewer System	11/1/2000	\$ 5,500,000.00	11/1/2020	\$ 320,000.00	5.40%	\$ 640,000.00	\$ 320,000.00	\$ 320,000.00	
Improvements to Sewer System	5/1/2019	1,625,000.00	5/1/2020	100,000.00	2.00%				
			5/1/2021	170,000.00	2.00%				
			5/1/2022	170,000.00	2.00%				
			5/1/2023	170,000.00	2.00%				
			5/1/2024	170,000.00	2.00%				
			5/1/2025	170,000.00	2.00%				
			5/1/2026	170,000.00	2.00%				
			5/1/2027	170,000.00	2.00%				
			5/1/2028	170,000.00	2.00%				
5/1/2029	165,000.00	2.00%							
				\$ 1,625,000.00				1,625,000.00	
						\$ 640,000.00	\$ 320,000.00	\$ 1,945,000.00	
								D	

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #1
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Serial Bonds Issued	Improvement Authorizations Cancelled	Balance Dec. 31, 2019
2013-15	Chatham Glen/Tanglewood Modifications WPC Plant #1	\$ 1,532,599.00			\$ 1,532,599.00	
2018-17	Various Sewer Improvements and Upgrade Electric and Remove Storage Tank	523,000.00		\$ 519,000.00		\$ 4,000.00
2019-13	The Removal of Underground Storage Tanks and Installation of Above Ground Tanks		\$ 325,000.00			325,000.00
		\$ 2,055,599.00	\$ 325,000.00	\$ 519,000.00	\$ 1,532,599.00	\$ 329,000.00

TOWNSHIP OF CHATHAM
COUNTY OF MORRIS
2019
SEWER UTILITY FUND #2

TOWNSHIP OF CHATHAM
SEWER UTILITY FUND #2
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>		<u>Capital</u>
Balance December 31, 2018	E	\$ 581,600.46		\$ 62,934.34
Increased by Receipts:				
Sewer Rents		\$ 544,843.99		
Interest on Delinquent Sewer Rents		1,712.31		
Prepaid/Overpaid Sewer Rents		2,996.86		
Appropriation Reserve Refunds		1,270.50		
Interest on Investments		<u>10,647.62</u>		
		<u>561,471.28</u>		
		1,143,071.74		<u>62,934.34</u>
Decreased by Disbursements:				
2019 Budget Appropriations		378,162.09		
2018 Appropriation Reserves		23,002.36		
Accrued Interest on Bonds		<u>1,080.00</u>		
		<u>402,244.45</u>		
Balance December 31, 2019	E	<u>\$ 740,827.29</u>		<u>\$ 62,934.34</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
ANALYSIS OF SEWER CAPITAL CASH

		Balance	Transfers		Balance
		<u>Dec. 31, 2018</u>	<u>From</u>	<u>To</u>	<u>Dec. 31, 2019</u>
Fund Balance		\$ 33,172.46		\$ 13,261.88	\$ 46,434.34
Capital Improvement Fund		16,500.00			16,500.00
<u>Ord Date</u>	<u>Improvement Description</u>				
04/25/2002	Improvements of Sanitary Sewer System	<u>13,261.88</u>	<u>\$ 13,261.88</u>		
		<u>\$ 62,934.34</u>	<u>\$ 13,261.88</u>	<u>\$ 13,261.88</u>	<u>\$ 62,934.34</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #2
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE AND LIENS

	<u>Ref.</u>	
Balance December 31, 2018	E	\$ 22,208.01
Increased by:		
Sewer Rents		\$ 547,250.00
Interest on Delinquent Sewer Rents		<u>1,712.31</u>
		<u>548,962.31</u>
Decreased by:		
Collections:		
Sewer Rents		544,843.99
Prepaid/Overpaid Sewer Rents Applied		<u>1,840.42</u>
		<u>546,684.41</u>
Interest on Delinquent Sewer Rents		<u>1,712.31</u>
		<u>548,396.72</u>
Balance December 31, 2019	E	<u><u>\$ 22,773.60</u></u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF FIXED CAPITAL

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Additions</u> <u>by Budget</u>	<u>Transferred from</u> <u>Fixed Capital</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Sewer Plant	<u>\$ 641,320.02</u>	<u>\$ 2,977.50</u>	<u>\$ 825,000.00</u>	<u>\$ 1,469,297.52</u>
<u>Ref.</u>	E			E

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETE

<u>Improvement Description</u>	<u>Number</u>	<u>Ordinance</u>		<u>Amount</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Transferred to</u> <u>Fixed Capital</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
		<u>Date</u>	<u>Amount</u>				
Improvements of Sanitary Sewer System	02-07	4/25/2002	\$	825,000.00	\$ 825,000.00	\$ 825,000.00	
					<u>\$ 825,000.00</u>	<u>\$ 825,000.00</u>	<u>\$ -0-</u>

Ref.

E

E

TOWNSHIP OF CHATHAM
SEWER UTILITY OPERATING FUND #2
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

		<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:					
Other Expenses		\$ 75,204.64	\$ 75,204.64	\$ 21,731.86	\$ 53,472.78
Capital Improvements:					
Capital Outlay		<u>10,194.08</u>	<u>10,194.08</u>		<u>10,194.08</u>
		<u>\$ 85,398.72</u>	<u>\$ 85,398.72</u>	<u>\$ 21,731.86</u>	<u>\$ 63,666.86</u>
<u>Ref.</u>					
<u>Balance December 31, 2018:</u>					
Encumbered	E	\$ 25,875.60			
Unencumbered	E	<u>59,523.12</u>			
		<u>\$ 85,398.72</u>			
			Cash Disbursed	\$ 23,002.36	
			Less: Refunded	<u>1,270.50</u>	
				<u>\$ 21,731.86</u>	

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance</u>	<u>Cancelled to Fund Balance</u>	<u>Balance</u>
		<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2018 Funded</u>		<u>Dec. 31, 2019 Funded</u>
02-07	Improvements of Sanitary Sewer System	04/25/2002	\$825,000.00	\$ 13,261.88	\$ 13,261.88	
				<u>\$ 13,261.88</u>	<u>\$ 13,261.88</u>	<u>\$ -0-</u>
			<u>Ref.</u>	E		E

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2018	E	<u>\$ 16,500.00</u>
Balance December 31, 2019	E	<u><u>\$ 16,500.00</u></u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2018	E	\$ 1,446,320.02
Increased by:		
Serial Bonds Paid by Operating Budget		\$ 10,000.00
Capital Outlay:		
2019 Budget Appropriations		<u>2,977.50</u>
		<u>12,977.50</u>
Balance December 31, 2019	E	<u>\$ 1,459,297.52</u>

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF SEWER CAPITAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2018	Matured	Balance Dec. 31, 2019
			Outstanding Date	Amount				
Improvements to Sewer System	11/1/2000	\$ 115,000.00	11/1/2020	\$ 10,000.00	5.400%	\$ 20,000.00	\$ 10,000.00	\$ 10,000.00
						\$ 20,000.00	\$ 10,000.00	\$ 10,000.00
					<u>Ref.</u>	E	E	E

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
SEWER UTILITY CAPITAL FUND #2
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF CHATHAM
PART II
SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF CHATHAM
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2019

Federal Department	Federal Program	C.F.D.A. Account Number	State Account Number	Grant Award	Grant Period		Grant Receipts	Grant Expenditures	MEMO Cumulative Total Expenditures	Amounts Provided to Subrecipients
					From	To				
U.S. Department of Homeland Security: (Passed through N.J. Department of Law and Public Safety)	Hazard Mitigation Grant	97.039	N/A	\$ 99,800.00	01/01/16	12/31/20	\$ 99,800.00		\$ 99,800.00	
							99,800.00		99,800.00	
							99,800.00		99,800.00	
Total U.S. Department of Homeland Security										
U.S. Department of Transportation: (Passed through N.J. Department of Transportation)	Safe Route to School- Lafayette Road Design Improvements	20.205	480-078-6320-AMF- 2019	81,958.73	01/01/17	12/31/19	65,270.66	\$ 43,427.63	79,277.92	
							65,270.66	43,427.63	79,277.92	
Total U.S. Department of Transportation										
							\$ 165,070.66	\$ 43,427.63	\$ 179,077.92	\$ -0-
TOTAL FEDERAL AWARDS										

N/A - Not Available

TOWNSHIP OF CHATHAM
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

Name of State Agency or Department	Name of Program	State Program Account Number	Grant Award	Grant Period		Grant Receipts	Grant Expenditures	MEMO Cumulative Total Expenditures
				From	To			
Department of Environmental Protection	Clean Communities Grant	042-4900-765-004-178910	\$ 23,354.63	01/01/19	12/31/19	\$ 23,354.63	\$ 23,354.63	\$ 23,354.63
			38,415.35	01/01/08	12/31/19		38,415.35	38,415.35
			14,807.84	01/01/09	12/31/19		14,807.84	14,807.84
			21,273.30	01/01/10	12/31/19		21,273.30	21,273.30
			13,063.00	01/01/11	12/31/19		13,063.00	13,063.00
			14,313.43	01/01/12	12/31/20			
			14,927.93	01/01/13	12/31/20			
			14,802.20	01/01/14	12/31/20			
			10,596.15	01/01/18	12/31/20		10,596.15	
			12,275.94	01/01/19	12/31/20		12,275.94	
				22,872.09		96,730.10		
				46,226.72		120,084.73	120,084.73	
Total Department of Environmental Protection								
Department of the Treasury: Passed through the County of Morris: Governor's Council on Alcoholism and Drug Abuse	Municipal Alliance to Prevent Alcoholism and Drug Abuse	100-082-2000-044-995120	23,073.00	07/01/18	06/30/19	20,391.70	23,073.00	23,073.00
			23,073.00	07/01/19	06/30/20		23,073.00	23,073.00
Total Department of the Treasury						20,391.70	23,073.00	46,146.00
Department of Law and Public Safety	Body Armor Replacement Fund	066-1020-718-001-090160	2,268.08	01/01/16	12/31/19		1,665.31	2,268.08
			2,187.25	01/01/17	12/31/19		2,187.25	2,187.25
			2,184.17	01/01/18	12/31/20		2,041.44	2,041.44
			2,410.97	01/01/19	12/31/20		2,410.97	
Total Department of Law and Public Safety						2,410.97	5,894.00	6,496.77
TOTAL STATE AWARDS						\$ 69,029.39	\$ 149,051.73	\$ 172,727.50

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF CHATHAM
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Township of Chatham under programs of the federal and state governments for the year ended December 31, 2019. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 4. STATE LOANS OUTSTANDING

The Township of Chatham has the following loans outstanding in the Sewer Utility Fund as of December 31, 2019:

Wastewater Treatment Loan Payable #1	\$ 20,000.00
Wastewater Treatment Loan Payable #2	388,543.63
Wastewater Treatment Loan Payable #3	<u>4,183,050.76</u>
	<u>\$ 4,591,594.39</u>

The projects which relate to these loans are complete, and the Township is repaying the loan balances. There were no loan receipts or expenditures in the current year.



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Independent Member
BKR International

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 Township Committee
Township of Chatham
Chatham, New Jersey

We have audited, 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 (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* - of the various funds of the Township of Chatham, in the County of Morris (the "Township") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated March 23, 2020. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a 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 Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2019-001, that we consider to be a significant deficiency.

The Honorable Mayor and Members
of the Township Committee
Township of Chatham
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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*.

The Township's Response to the Finding

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Township'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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
March 23, 2020

NISIVOCCIA

Valerie A. Dolan

Valerie A. Dolan
Certified Public Accountant
Registered Municipal Accountant No. 548

TOWNSHIP OF CHATHAM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Township's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' 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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2019 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2019-001

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The various departments of the Township are responsible for the issuance and collection of permits, licenses and court fines and costs; and recording of collections. The reconciliation of certain bank accounts, the preparation of the general ledger for the various funds as well as the preparation of certain aspects of payroll are performed by the Chief Financial Officer. Also, the Tax/Utilities Rent Collector is responsible for cash collections and posting process. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Cause

This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures.

TOWNSHIP OF CHATHAM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

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

Finding 2019-001 (Cont'd)

Effect or Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Recommendation

It is recommended that an adequate segregation of duties is maintained with respect to the recording and treasury functions.

Management's Response

The finding was evaluated, and the Township is attempting to centralize collections in order to improve upon internal controls.

Findings and Responses for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Responses for State Awards:

- Not Applicable since state expenditures were below the single audit threshold.

TOWNSHIP OF CHATHAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

The Township's prior year audit finding 2018-001 regarding segregation of duties has not been resolved due to budgetary constraints and is included as finding 2019-001 in the current year's audit report.

TOWNSHIP OF CHATHAM

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF CHATHAM
COMMENTS AND RECOMMENDATIONS

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

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or 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. of Section 9 of P.L. 1971, C. 198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit 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 subparagraph (i) of paragraph (a) of Subsection (1) of Section 5 of P.L. 1971, C. 198 (N.J.S.A. 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. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, C. 440 takes effect, 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 Section 2 of P.L. 1971, C. 198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

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

Effective July 1, 2015 and thereafter, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the bid threshold may be up to \$40,000.

The governing body of the Township of Chatham has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Township Attorney's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S.A. 40A:11-5.

TOWNSHIP OF CHATHAM
COMMENTS AND RECOMMENDATIONS
 (Continued)

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. Based on our audit procedures performed there were no violations.

Collection of Interest on Delinquent Taxes, Assessments and Utility Charges

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

On January 4, 2019, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes and utility charges:

Interest to be charged at the rate of 18% on all delinquent taxes and utility charges in excess of \$1,500 as per N.J.S. 54:4-67 and Chap. 435-1979 and at the rate of 8% on all delinquent taxes and utility charges under \$1,500. Interest to be waived on current taxes paid within the first 10 days after due dates. An additional penalty of 6% will be assessed on delinquencies in excess of \$10,000 at year end.

It appears from an examination on a test basis of the Tax and Sewer Collectors' records that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

Inspection of tax sale certificates on file revealed that all tax sale certificates from both the current and prior years' tax sales were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2019	1
2018	8
2017	8

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2019 Taxes	20
Delinquent Taxes	20
Payment of 2019 Sewer Charges	10
Delinquent Sewer Charges	10
Tax Title Liens	1

Verification notices were mailed to confirm balances and payments as of December 31, 2019. The items that were returned were compared to and are in agreement with the Township's records. For receivable items not returned, the receivable balance was agreed to the subsequent receipt. For other items not returned, alternative procedures were performed.

TOWNSHIP OF CHATHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. General ledger accounting and record system.
3. Fixed asset accounting and reporting system.

The Township is currently in compliance with all of these accounting requirements.

Status of Prior Year Recommendations

The prior year recommendation concerning segregation of duties was not resolved in the current year and is included in the current year's audit report.

TOWNSHIP OF CHATHAM
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Adequate segregation of duties is maintained with respect to the recording and treasury functions.
