## BOROUGH OF BOUND BROOK COUNTY OF SOMERSET NEW JERSEY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

HODULIK & MORRISON, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.

		PAGE(S)
PART	<u>I</u>	1
Report	ndent Auditor's Report on Internal Control Over Financial Reporting and on Compliance	2 - 4
	Other Matters Based on an Audit of Financial Statements Performed Accordance with Government Auditing Standards	5 - 6
FINAN	ICIAL STATEMENTS	7
A	Current Fund - Comparative Balance Sheet Regulatory Basis - December 31, 2016 and 2015	8
A- 1	Current Fund - Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	9
A- 2	Current Fund - Statement of Revenues - Regulatory Basis	10 - 12
A- 3 B	Current Fund - Statement of Revendes Regulatory Basis  Trust Fund - Comparative Balance Sheet - Regulatory Basis -	13 - 18
Ь	December 31, 2016 and 2015	19
B- 1 C	Assessment Trust Fund - Statement of Fund Balance General Capital Fund - Comparative Balance Sheet - Regulatory	20
	Basis - December 31, 2016 and 2015	21
C- 1	General Capital Fund - Statement of Fund Balance - Regulatory Basis	22
Notes t	o Financial Statements	23 - 53
PART	II – REQUIRED SUPPLEMENTARY INFORMATION	54
Sch. 1	Schedule of the District's Share of the Net Pension Liability (PERS)	55
Sch. 2	Schedule of the District's Contributions (PERS)	56
Sch. 3	Schedule of the District's Share of the Net Pension Liability (PFRS)	57
Sch. 4	and the second s	58
Notes	to Required Supplementary Pension Information	59

		PAGE(S)
PART	THI - SUPPLEMENTARY SCHEDULES	60
Curre	nt Fund	61
A- 4	Schedule of Cash Transactions	62
A- 5	Schedule of Change Petty Cash and Change Funds	63
A- 6	Schedule of Due New Jersey - Sr. Citizens & Veterans Deductions	63
A- 7	Schedule of Taxes Receivable and Analysis of Property Tax Levy	64
A- 8	Schedule of Tax Title Liens	65
A- 9	Schedule of Revenue Accounts Receivable	66
A-10	Schedule of Sewer Rents Receivable	67
A-11	Schedule of Refuse Disposal Fees Receivable	67
A-12	Schedule of Interfunds	68
A-13	Schedule of Deferred Charges	69
A-14	Schedule of Reserve for Encumbrances	69
A-15	Schedule of 2015 Appropriation Reserves	70 - 72
A-16	Schedule of Taxes Payable	73
A-17	Schedule of Tax Overpayments	74
A-18	Schedule of Prepaid Taxes	74
A-19	Schedule of Sewer Rents Overpayments	75
A-20	Schedule of Refuse Disposal Fee Overpayments	75
A-21	Schedule of Prepaid Refuse Disposal Fees	75
A-22	Schedule of Prepaid Sewer Rents	75
A-23	Schedule of Other Reserves	76
A-24	Schedule of State and Federal Grants Receivable - Grant Fund	77
A-25	Schedule of State and Federal Grants Appropriated - Grant Fund	78
A-26	Schedule of Reserve for Federal and State Grants - Unappropriated	79
A-27	Schedule of Interfund Loans Receivable	79
Trust	<u>Fund</u>	80
B- 2	Analysis of Assessment Trust Cash and Investments	81
B- 3	Schedule of Assessments Receivable	82
B- 4	Schedule of Reserve for Assessments and Liens	83
B- 5	Schedule of Cash and Reserve Activity	84 - 85

		PAGE(S)
<u>Gener</u>	al Capital Fund	86
C- 2	Schedule of General Capital Fund Cash and Investments	87
C- 3	Analysis of Cash and Investments	88
C- 4	Schedule of Grants Receivable	89
C- 5	Schedule of Developer Contributions Receivable	89
C- 6	Schedule of Deferred Charges - Funded	90
C- 7	Schedule of Deferred Charges to Future Taxation - Unfunded	91 - 92
C- 8	Schedule of Interfunds	93
C- 9	Schedule of General Serial Bonds	94
C-10	Schedule of Environmental Infrastructure Loans Payable	95
C-11	Schedule of Bond Anticipation Notes Payable	96
C-12	Schedule of Improvement Authorizations	97
C-13	Schedule of Reserve for Capital Improvement Fund	98
C-14	Schedule of Bonds and Notes Authorized but not Issued	99
PART	IV - OTHER REPORTING REQUIRED BY REGULATIONS	100
Lengt	h of Service Award Program (LOSAP) (Unaudited)	101
Indepe	endent Accountant's Review Report	102
	it A LOSAP Statement of Assets, Liabilities and Net Assets -Unaudited it B LOSAP Statement of Revenues, Expenses and Other Changes in Net	103
LAIHU.	Assets - Unaudited	104
Notes	to Financial Statements – Unaudited	105 - 106

	PAGE(S)
PART V - SUPPLEMENTARY DATA	107
Other Supplementary Data	108
Combined Balance Sheet - All Funds - for Year Ending December 31, 2016	109
Comparative Statement of Operations - Change in Fund Balance Current Fund	110
Comparative Schedule of Tax Rate Information Comparison of Tax Levies and Collection Currently	111 111
Delinquent Taxes and Tax Title Liens Property Acquired by Tax Title Lien Liquidation	111 112
Comparison of Sewer Billings and Collections Comparison of Refuse Billings and Collections	112 112
Comparative Schedule of Fund Balances Officials in Office and Surety Bonds	112 113
PART VI - GENERAL COMMENTS AND RECOMMENDATIONS	114
General Comments	115 - 123
Recommendations and Acknowledgment	124

## PART I INDEPENDENT AUDITOR'S REPORT FINANCIAL STATEMENTS

### **HODULIK & MORRISON, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J

## INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Bound Brook, County of Somerset, New Jersey, as of and for the years ended December 31, 2016 and 2015 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the financial statements of the Borough, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements — regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Bound Brook, County of Somerset, New Jersey, as of December 31, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

### Basis for Qualified Opinion

We were unable to obtain sufficient supporting subsidiary information with respect to taxes, refuse disposal fees and sewer rent receivable account balances to agree the account receivable balances to the amounts recorded in the Borough's financial statements. Additionally, the Borough did not maintain its record of governmental fixed assets during the year ended December 31, 2016.

## Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters describe in the "Basis for Qualified Opinion" paragraph, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Bound Brook, County of Somerset, New Jersey as of December 31, 2016 and 2015 and the results of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2016, on the basis of accounting described in Note 2.

## Other Matters

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information, including the Notes thereto, (Required Supplementary Information – Part II), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Bound Brook, County of Somerset, New Jersey. The information included in Part III – Supplementary Schedules and Part IV – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Bound Brook, County of Somerset, New Jersey. The information included in Part III – Supplementary Schedules is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

The schedules and information contained in Part IV - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

## Other Reporting Required by Regulations (LOSAP)

The financial statements referred to in the first paragraph include the assets, liabilities and net position of the Borough's Length of Service Award Program (LOSAP). Pursuant to N.J. State regulation, LOSAP is subject to an independent accountant's review only and we were not engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements. Accordingly, the financial statements of the Borough's LOSAP are unaudited and we do not express an opinion on the accompanying LOSAP financial statements included within the Trust Funds.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 4, 2017 on our consideration of the Borough of Bound Brook's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Accounting Standards and should be considered in assessing the results of our audit.

HODULIK & MORRISON, P.A.

Certified Public Accountants
Registered Municipal Accountants

**Public School Accountants** 

Andrew G. Hodulik

Registered Municipal Accountant

No. 406

Highland Park, New Jersey October 4, 2017

## **HODULIK & MORRISON, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:

AMERICAN INSTITUTE OF CPA'S

NEW JERSEY SOCIETY OF CPA'S

REGISTERED MUNICIPAL ACCOUNTANTS OF N.J

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**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis, of the Borough of Bound Brook, County of Somerset as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough of Bound Brook, County of Somerset's financial statements and have issued our report thereon dated October 4, 2017. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting Utilized for financial statements presentations and was also modified based upon that Other Comprehensive Basis of Accounting due to lack of subsidiary information for taxes, refuse disposal fees and sewer rent receivable accounts balances and the lack of reporting 2016 activity for governmental fixed assets.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Bound Brook's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Bound Brook's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Bound Brook's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe that a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control, identified as item 2016-1, described in the accompanying general comments section of this report, that we consider to be a significant deficiency.

## Compliance and Other Matters

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

## Purpose of this Report

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

HODULIK & MORRISON, P.A. Certified Public Accountants Public School Accountants

rdulik : Marrisia. P.A.

Highland Park, New Jersey October 4, 2017

## FINANCIAL STATEMENTS

# CURRENT FUND COMPARATIVE BALANCE SHEET - REGULATORY BASIS DECEMBER 31, 2016 AND DECEMBER 31, 2015

ASSETS	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Current Fund:				Current Fund:			
Cash and Investments - Treasurer		\$ 2,025,481.33 \$	3,389,	Liabilities:	•		
Cash - Change Funds	A-5	400.00	400.00	Appropriation Reserves Interfunds Pavable	A-3, A-15 \$ A-12	557,858.99 \$	2.167.662.56
Due Irom State of Iv.J. Sanior Citizans Deductions	9-A	1 090.73	1.340.00	Reserve for Encumbrances	A-14	112,421.24	67,463.46
	2			Special District Taxes Payable	A-16	10,214.97	10,214.62
		2.026.972.06	3,390,750.43	Tax Overpayments	A-17	23,973.47	28,442.03
Receivables With Offsetting Reserves:				Prepaid Taxes	A-18	91,318.70	54,353.40
Delinguent Property Taxes Receivable	A-7	489,453.09	526,311.38	Overpayments-Sewer Rents	A-19	1,027.10	1,027.10
Tax Title Liens	A-8	36,562.71	33,828.36	Overpayments-Refuse Disposal Fees	A-20	150.30	150.30
Sewer Rent Fees Receivable	A-10	130,866.09	130,910.49	Prepaid Refuse Disposal Fees	A-21	50,831.67	25,919.32
Refuse Disposal Fees Receivable	A-11	71,280.76	54,360.99	Prepaid Sewer Rents	A-22	3,627.78	
Revenue Accounts Receivable	9-A	24,905.35	26,352.63	Reserve For:			
Interfunds Receivable	A-12	43,402.47	185.26	Master Plan	A-23	7,886.48	
				Deferred Revenue	A-23	300,000.00	200,000.00
		796,470.47	771,949.11	Sale of Municipal Assets	A-23	7,788.00	7,788.00
Deferred Charges:				Tax Map Preparation	A-23	1,806.00	1,806.00
Emergency Authorization	A-13	25,000.00					
Overexpend Of Budget Appropriations	A-13	`	7,060.00			1,147,778.57	2,823,224.25
Ordender of Dadger the Francisco				Reserve for Receivables	Reserve	796,470.47	771,949.11
		25,000.00	7,060.00	Fund Balance	A-1	904,193.49	574,586.18
Total Current Fund		\$ 2.848.442.53 \$	3 4.169.759.54	Total Current Fund		\$ 2,848,442.53 \$	4,169,759.54
10tal Cultont Fund		î					
State and Federal Grant Fund:	10-V	6 616.855.62	616.855.62	State and Federal Grant Fund: Reserve for Encumbrances	A-25	6,994.80	5,425.01
Grants Receivable  Due Current Fund	A-27		274,831.86	Reserve for Grants Appropriated Grants-Unappropriated	A-25 A-26	801,024.64	884,583.75
Total State and Federal Grant Fund		\$ 815,649.44 \$	891,687.48	Total State and Federal Grant Fund		\$ 815,649.44 \$	891,687.48
Grand Total		\$ 3,664,091.97 \$	5,061,447.02	Grand Total		\$ 3,664,091.97	3,664,091.97 \$ 5,061,447.02
Note: See Notes to Financial Statements.							

## CURRENT FUND COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

REVENUE AND OTHER INCOME REALIZED	REF.	<b>YEAR 2016</b>	<b>YEAR 2015</b>
Fund Balance Utilized	A-1, A-2 \$	321,179.00 \$	
Miscellaneous Revenues Anticipated	A-2	5,063,230.55	5,160,748.02
Receipts from Delinquent Taxes	A-2	525,297.30	491,098.41
Receipts from Current Taxes	A-2	24,329,631.66	23,138,203.98
Non-Budget Revenue	A-2	56,007.62	115,265.46
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	A-15	103,958.44	20,887.27
Interfunds Returned	A-12		38,862.84
Total Revenues		30,399,304.57	28,965,065.98
EXPENDITURES AND OTHER CHARGES		30,377,301.37	20,702,002.70
Budget and Emergency Appropriations: Within "CAPS":			
Operations	A-3	8,876,820.00	8,378,982.00
Deferred Charges and Statutory Expenditures	A-3	1,069,811.60	1,094,822.81
Excluded from "CAPS":			
Other Operations	A-3	1,179,920.13	1,171,057.42
Capital Improvements	A-3	25,000.00	25,000.00
Municipal Debt Service	A-3	1,274,781.09	1,518,397.01
Deferred Charges	A-3	107,120.99	150,750.00
Transferred to Board of Education	A-3	172,877.00	144,921.00
County Taxes	A-16	2,948,554.48	2,863,232.28
Local District School Tax	A-16	13,961,192.00	13,127,270.00
Special District Taxes	A-16	106,948.35	61,417.62
Interfunds Advanced	A-12	43,217.21	
Refund of Prior Year Revenue	A-4	7,275.41	8,447.71
Uncollectible Receivable Cancelled	A-6		65,248.10
Total Expenditures		29,773,518.26	28,609,545.95
Excess in Revenue		625,786.31	355,520.03
Adjustments to Income before Surplus:		,	,
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-13	25,000.00	7,060.00
Statutory Excess to Surplus		650,786.31	362,580.03
Balance - January 1	Α	574,586.18	212,006.15
		1,225,372.49	574,586.18
Decreased by:			
Utilization as Anticipated Revenue	A-1	321,179.00	***
Balance - December 31	A	\$ 904,193.49	574,586.18

Exhibit A-2 Page 1 of 3

# BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

# STATEMENT OF REVENUES - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

ANTICIPATED APPROP.

	0 7 7	2016 2016 BIDGET	N.J.S.A.	TOTAL 2016	REALIZED	EXCESS OR
		170000	0			
Fund Balance Anticipated	A-1	\$ 321,179.00 \$	\$	321,179.00 \$	321,179.00 \$	-
Miscellaneous Revenues:						
T.						
Licenses:	•	00000		00 000 04	00000	(00 00)
Alcoholic Beverages	A-9	40,600.00		40,600.00	40,000.00	(600.00)
Other	6-A	34,500.00		34,500.00	48,880.00	14,380.00
Fees and Permits						
Other	A-2	35,000.00		35,000.00	107,930.10	72,930.10
Fines and Costs:						
Municipal Court	A-9	300,000.00		300,000.00	350,708.04	50,708.04
Interest and Costs on Taxes	A-9	164,000.00		164,000.00	166,024.26	2,024.26
Parking Meter - Municipal	4-9	37,000.00		37,000.00	50,807.34	13,807.34
Interest on Investments and Deposits	4-9	11,500.00		11,500.00	10,731.65	(768.35)
Parking Lot Fees	4-9	141,000.00		141,000.00	150,113.10	9,113.10
Cable TV Franchise Fee	A-9	122,231.00		122,231.00	122,231.16	0.16
Refuse Disposal Fees	A-11	441,000.00		441,000.00	417,780.23	(23,219.77)
Sewer Charges	A-10	1,065,000.00		1,065,000.00	1,374,642.41	309,642.41
Consolidated Municipal Property Tax Relief Act	A-9	178,034.00		178,034.00	178,034.00	•
Energy Receipts Tax	A-9	940,676.00		940,676.00	940,676.00	•
Uniform Construction Code Fees	4-9	195,000.00		195,000.00	125,822.00	(69,178.00)
Recycling Tonnage Program	A-12	10,271.70		10,271.70	10,271.70	•
Alcohol Education and Rehabilitation Fund	A-12		5,801.42	5,801.42	5,801.42	•
Clean Communities Program	A-12		19,819.61	19,819.61	19,819.61	•
Drive Sober or Get Pulled Over	A-12		3,450.00	3,450.00	3,450.00	•
Somerset County Youth Services	A-12		5,000.00	5,000.00	5,000.00	•
Drunk Driving Enforcement Fund	A-12		29,772.70	29,772.70	29,772.70	•
Safe Corridors	A-12	400.00	6,200.00	6,600.00	6,600.00	,
Body Armor Replacement Fund	A-12	1,678.72	7,838.98	9,517.70	9,517.70	•
Administrative Fees-Off Duty Police	A-9	40,000.00		40,000.00	46,377.13	6,377.13
M.C.U.A Refund	A-9	24,426.00		24,426.00	,	(24,426.00)
Resident Impact Fees	A-9	144,000.00		144,000.00	228,000.00	84,000.00

Exhibit A-2 Page 2 of 3

BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

# STATEMENT OF REVENUES - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

Miscellaneous Revenues (Cont'd.):	REF.	ANTICIPATED 2016 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2016 BUDGET	REALIZED	EXCESS OR (DEFICIT)
County Library	6-A	20.897.00		20.897.00	41.794.00	20.897.00
Uniform Fire Safety Act - LEA Rebates	6-Y	12,000.00		12,000.00	13,227.84	1,227.84
Inspection Fees	A-9	90,000.00		90,000.00	55,925.00	(34,075.00)
Rent from South Bound Brook Court	A-9	5,000.00		5,000.00	5,962.07	962.07
Train Station Rent	A-9	25,140.00		25,140.00	25,140.00	,
PILOT Payment	A-9	245,000.00		245,000.00	246,191.09	1,191.09
Sewer Connection Downtown Meridia	A-9	100,000.00		100,000.00	1	(100,000.00)
Meridia Payment	A-9	30,000.00		30,000.00	30,000.00	•
Sewer Connection Queens Gate	A-9	96,000.00		96,000.00	96,000.00	
Sewer - Increase of Fees	A-9	75,000.00		75,000.00	1	(75,000.00)
Meridia Agreement	A-9	100,000.00		100,000.00	100,000.00	3
Total Miscellaneous Revenues	A-1	4,725,354.42	77,882.71	4,803,237.13	5,063,230.55	259,993.42
Receipts from Delinquent Taxes	A-1, A-7	530,000.00		530,000.00	525,297.30	(4,702.70)
Subtotal General Revenues		5,576,533.42	77,882.71	5,654,416.13	5,909,706.85	255,290.72
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes A-2, A-7	al Budget: A-2, A-7	7,788,658.09		7,788,658.09	8,067,936.83	279,278.74
Budget Totals		13,365,191.51	77,882.71	13,443,074.22	13,977,643.68 \$	5 534,569.46
Non-Budget Revenues	A-4				56,007.62	
Total		\$ 13,365,191.51 \$	77	13,443,074.22 \$	14,033,651.30	
Adopted Budget Approp. By N.J.S.A. 40A:4-87	<u>Ker.</u> A-3 A-3	A-3	A-5	13,365,191.51	I.V	

Note: See Notes to Financial Statements.

\$ 13,443,074.22

## CURRENT FUND STATEMENT OF REVENUES - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

ANALYSIS OF REALIZED REVENUES	REF.			
Allocation of Current Tax Collections:				
2016 Collections	A-7	\$ 24,198,812.02		
Prepaid Taxes Applied	A-7, A-18	54,353.40		
Tax Overpayments Applied State Share of Sr. Citizen's and	A-7, A-17	13,359.99		
Veteran's Deductions Allowed	A-6, A-7	63,106.25		
	A-1		\$	24,329,631.66
Allocated to:				
Local District School Tax				
and County Taxes	A-16		-	17,016,694.83
				7,312,936.83
Add: Reserve for Uncollected Taxes	A-3			755,000.00
Amount for Support of Municipal Budget	A-2		\$_	8,067,936.83
Delinquent Tax Revenue:				
Delinquent Tax Collections	A-7	512,656.77		
Tax Title Lien Collections	A-8	12,640.53		
	A-2		\$_	525,297.30
Fees and Permits - Other:				
Clerk	A-9		\$	11,718.10
Registrar	A-9			7,177.00
Rental Inspection Fees	A-9			7,925.00
Planning Fees	A-9			4,490.00
Zoning Fees	A-9			5,535.00
Resale Fees	A-9			11,585.00
Vacant Property Registration	A-9			59,500.00
	A-2		\$_	107,930.10

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

UNEXPENDED	BALANCE CANCELLED																																								
	RESERVED			2.42 \$	33.89		06:0	27.08			0.52		06:0	2,585.10		0.92	54.11		19.81	76.79		•		33,086.92	•	11,428.75			;	0.20	1,950.57	;	69.0	40.20		39.89	1,472.05		161.82		612.38
EXPENDED	ENCUMBERED				4,558.86			1,800.00						2,000.00			493.81			3,763.39				5,249.20						•	6,173.39			550.00			80.00		6,095.00		
	PAID OR CHARGED			122,673.58 \$	82,607.25		132,289.10	17,522.92		200.00	2,376.48		118,347.10	33,304.90		30,000.08	18,902.08		118,347.19	16,164.82		30,500.00		211,663.88		114,571.25		25,000.00		20,960.80	60,876.04		88,676.31	2,025.80		14,538.11	4,447.95		5,743.18		9,887.62
ı	BUDGET AFTER MODIFICATION			122,676.00 \$	87,200.00		132,290.00	19,350.00		200.00	2,377.00		118,348.00	37,890.00		30,001.00	19,450.00		118,367.00	20,005.00		30,500.00		250,000.00		126,000.00		25,000.00		20,961.00	69,000.00		88,677.00	2,616.00		14,578.00	00.000.9		12,000.00		10,500.00
	2016 BUDGET			\$ 117,876.00 \$	72,000.00		133,973.00	00'058'6		200.00	1,700.00		120,847.00	38,590.00		30,000.00	21,150.00		120,847.00	23,425.00		30,000.00		250,000.00		100,000.00				23,236.00	00.000.00		83,655.00	8,000.00		18,127.00	10,000.00		12,000.00		22,500.00
		OPERATIONS WITHIN "CAPS" GENERAL GOVERNMENT:	Administrative & Executive	Salaries and Wages	Other Expenses	Municipal Clerk	Salaries and Wages	Other Expenses	Elections	Salaries and Wages	Other Expenses	Financial Administration	Salaries and Wages	Other Expenses	Assessment of Taxes	Salaries and Wages	Other Expenses	Collection of Taxes	Salaries and Wages	Other Expenses	Audit Services	Other Expenses	Legal Services and Costs	Other Expenses	Engineering Services and Costs	Other Expenses	Master Plan Reexamination	Report (Emergency Appropriation)	Public Buildings and Grounds	Salaries and Wages	Other Expenses	Inspection Department	Salaries and Wages	Other Expenses	Planning Board	Salaries and Wages	Other Expenses	Shade Tree Commission	Other Expenses	Economic Development Program	Other Expenses
														-	13	3 -	•				,		7		7							•									

BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

CURRENT FUND STATEMENT OF EXPENDITURES - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

				EXPENDED		UNEXPENDED
	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE
PUBLIC SAFETY:						
Fire						
Other Expenses	00.000,96	97,450.00	93,140.37	4,280.04	29.59	
Fire Safety Bureau						
Salaries and Wages	39,225.00	35,573.00	35,538.83		34.17	
Other Expenses	5,100.00	1,600.00	00'589		915.00	
Police						
Salaries and Wages	2,946,560.00	2,946,560.00	2,797,296.73		149,263.27	
Other Expenses	146,384.00	166,384.00	100,063.83	63,555.71	2,764.46	
Municipal Court						
Salaries and Wages	177,475.00	169,975.00	169,173.72		801.28	
Other Expenses	20,400.00	20,400.00	19,100.42	1,130.00	169.58	
Public Defender						
Other Expenses	15,050.00	4,250.00	4,200.00		20.00	
Insurance						
Health Benefit Waiver - S&W	9,200.00	9,200.00	8,923.04		276.96	
Other Insurance	442,173.00	441,542.00	441,541.90		0.10	
Health Benefits	1,527,213.00	1,512,213.00	1,511,542.74		670.26	
Parking Meter Maintenance						
Salaries and Wages	25,000.00	16,325.00	16,220.18		104.82	
Other Expenses	4,000.00	5,146.00	5,077.09		16'89	
First Aid Organization						
Other Expenses	30,000.00	30,000.00	30,000.00			
Emergency Management Services		0000	00 000		23.01	
Other Expenses	3,000.00	3,000.00	2,767.99		232.01	
STREETS AND ROADS: Road Repairs and Maintenance						
Salaries and Wages	492,065.00	480,065.00	477,254.32		2,810.68	
Other Expenses	83,500.00	83,500.00	67,559.39	4,493.72	11,446.89	
Garbage and Trash					:	
Other Expenses	355,000.00	360,600.00	359,143.95		1,456.05	
Recycling Contingency Fund Other Expenses	00.009	98,600.00	73,612.76	3,360.00	21,627.24	

Exhibit - A- 3

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

				EXPENDED		UNEXPENDED
	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
HEALTH AND WELFARE: Roard of Health						
Other Expenses	122,290.00	122,326.00	122,299.25		26.75	
Dog Regulation						
Other Expenses	30,000.00	30,000.00	30,000.00	•	,	
Peosha Act - Board of Health						
Other Expenses	200.00	200.00	1		200.00	
RECREATION AND EDUCATION:						
Parks and Playgrounds						
Other Expenses	53,500.00	53,500.00	53,381.08	110.00	8.92	
Board of Recreation Commissioners						
Salaries and Wages	86,500.00	89,000.00	88,956.34		43.66	
Other Expenses	20,000.00	22,400.00	19,445.89	602.00	2,352.11	
Celebration of Public Events, Anniversaries, or Holiday						
Other Expenses	1,000.00	366.00	365.76		0.24	
UNIFORM CONSTRUCTION CODE-						
APPROPRIATIONS OFFSET BY DEDICATED						
REVENUES (N.J.A.C. 5:23-4.17).						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	126,909.00	115,859.00	115,809.14		49.86	
Other Expenses	10,000.00	7,700.00	7,455.89	91.32	152.79	
OPERATIONS WITHIN "CAPS"						
<u>UNCLASSIFIED:</u>						
Utilities:	6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6				00 000	
Gasoline	59,000.00	53,000.00	36,575,39	4,021.59	12,403.02	
Telephones	29,000.00	00.002'99	65,553.41		946.59	
Street Lighting	161,500.00	161,500.00	151,899.05		6,600.95	
Fire Hydrant Services	108,000.00	108,000.00	98,738.75		9,261.25	
Heating/Electric	160,000.00	160,000.00	140,756.62		19,243.38	
Water	27,000.00	39,000.00	38,448.93		551.07	
Total Operations Within "CAPS"	8,849,420.00	8,876,320.00	8,464,454.20	112,408.03	299,457.77	1
Contingent	200.00	200.00			500.00	
Total Operations Including Contingent Within "CAPS"	8,849,920.00	8,876,820.00	8,464,454.20	112,408.03	299,957.77	

STATEMENT OF EXPENDITURES - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

				EXPENDED		UNEXPENDED
י זו א דידורת	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE
DE I AIL.: Salaries and Wages Other Expenses (Including Contingent)	4,551,995.00 4,282,875.00	4,508,955.00 4,367,865.00	4,355,504.57 4,108,949.63	112,408.03	153,450.43 146,507.34	
Deferred Charges and Statutory Expenditures-Municipal Within "CAPS":						
DEFERRED CHARGES Overexpenditure of Appropriations Deficit in Animal Control Trust Reserve	7,060.00 6,409.10	7,060.00 6,409.10	7,060.00			136.50
STATUTORY EXPENDITURES:						
Contribution to: Social Security System (O.A.S.I.)	187,300.00	179,300.00	179,012.02		287.98	
Public Employee's Retirement System	151,648.00	151,648.00	151,648.00		1	
Police and Firemen's Ketirement System of NJ State Unemployment Insurance	22,500.00	19,900.00	18,663.54	13.21	1,223.25	And the second s
Total Def. Charges and Statutory Expend. Municipal Within "CAPS"	1,080,548.10	1,069,948.10	1,068,287.16	13.21	1,511.23	136.50
Total General Appropriations for Municipal Purposes Within "CAPS"	9,930,468.10	9,946,768.10	9,532,741.36	112,421.24	301,469.00	136.50
OPERATIONS EXCLUDED FROM "CAPS" Length of Service Award Program- (LOSAP) Samesca A whyoriv (40, 144.8)	15,000.00	23,700.00	23,700.00			
Share of Costs Insurance - Health Benefits	1,045,500.00 20,487.00	1,045,500.00 20,487.00	1,009,110.01 20,487.00		36,389.99	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					•	
Clean Communities Program Alcohol Education and Rehabilitation Fund		19,819.61 5,801.42	19,819.61 5,801.42			
Body Armor Replacement Fund	1,678.72	9,517.70	9,517.70		•	
Somerset County Youth Services		5,000.00	5,000.00		•	
Recycling Tonnage Program	10,271.70	10,271.70	10,271.70			
Drive Soher or Get Pulled Over		3,450.00	3,450.00		1	
Safe Cooridors	400.00	6,600.00	6,600.00			Manage of the Control
Total Operations Excluded from "CAPS"	1,093,337.42	1,179,920.13	1,143,530.14		36,389.99	1

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
DETAIL: Other Expenses CAPITAI INAPPOVEMENTS - FYCLIDED FROM "CAPS"	1,093,337.42	1,179,920.13	1,143,530.14	g	36,389.99	1
Capital Improvement Fund	25,000.00	25,000.00	25,000.00			
Total Capital Improvements Excl. from "CAPS"	25,000.00	25,000.00	25,000.00			4
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS" Payment of Bond Principal Payment of Rond Amicination Notes	828,000.00	828,000.00	828,000.00		, ,	
Interest on Bonds Interest on Notes Somerset County Improvement Authority:	279,738.00 91,000.00	279,738.00 91,000.00	279,737.50 84,428.53		1 1	0.50 6,571.47
Capital Lease Program - After 7/1/07: Principal Interest	69,708.00 1,942.00	69,708.00 1,942.00	69,708.00			25.33
NJ Enviromental Infrastructure Trust Principal Interest	10,189.00	10,189.00	10,189.00		1 1	9.61
Total Municipal Debt Service - Excl. from "CAPS"	1,281,388.00	1,281,388.00	1,274,781.09		•	6,606.91
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS" Special Emergency Authorizations - 5 Years	107,120.99	107,120.99	107,120.99			
Total Deferred Charges - Municipal - Excluded from "CAPS"	107,120.99	107,120.99	107,120.99	4	1	
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	172,877.00	172,877.00	172,877.00		1	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,679,723.41	2,766,306.12	2,723,309.22	1	36,389.99	6,606.91
Subtotal General Appropriations	12,610,191.51	12,713,074.22	12,256,050.58	112,421.24	337,858.99	6,743.41

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

				EXPENDED		UNEXPENDED
	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE
	12,610,191.51	12,713,074.22	17	112,421.24	337,858.99	6,743.41
	755,000.00	755,000.00	755,000.00		L	
99	13,365,191.51	s 13,468,074.22 s	\$ 13,011,050.58 S	112,421.24 \$	337,858.99 \$	6,743.41
	Ref.		A-1	A,A-1	A,A-1	
		\$ 13,365,191.51				
	A-13 A-2	25,000.00 77,882.71				
		\$ 13,468,074.22	Ü			
	A-4		\$ 12,133,757.45			
	A-2		755,000.00			
	A-13		7,060.00			
	A-23		25,000.00			
	A-12		90,233.13			
			\$ 13,011,050.58			

Deferred Charges Reserve for Master Plan Reserve for State & Federal Grants - Appropriated Due to Grant Fund Reserve for Uncollected Taxes Disbursed

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2016 AND DECEMBER 31, 2015

BALANCEBALANCELIABILITIES, RESERVESBALANCEBALANCEDEC. 31,2016DEC. 31,2015AND FUND BALANCEREF.DEC. 31,2016DEC. 31,2016	Assessment Trust Fund:         5,785.79 \$ 15,785.90       Due Current Fund       B-5 \$ 174.33 \$ 174.44         3,641.64       Overpayments       B-5 \$ 2,254.06       2,254.06         Reserve for Assessments       B-4 445.74       445.74         Pund Balance       B-1 16,553.30       16,553.30	19,893.29         2,382.72         Animal Control Fund:         B-5         B-5         10,427.54           9,893.29         2,382.72         Animal Control Fund:         B-5         8,644.50           9,893.29         8,655.32         Due Current Fund         B-5         2.16         10,891.13           Reserve for Animal Control Expenditures         B-5         10,891.13	1,876.53         1,553,979.61         Total Animal Control Fund         10,893.29         8,655.32           -         22,333.47         Other Funds:         Reserve for:         Accounts Payable         B-5         2,116,033.34         2,066,348.10           -         495,152.23         Other Funds:         B-5         2,116,033.34         2,066,348.10           -         Accounts Payable         B-5         2,617.21         2,617.21           Due Current Fund         B-5         43,225.98         2,500.00           Due General Capital Fund         B-5         2,500.00
Assessment Trust Fund: Due Current Fund Overpayments Reserve for Assessments Fund Balance Total Assessment Trust Fund Accounts Payable	Total Assessment Trust Fund nimal Control Fund: Accounts Payable	Due Current Fund Reserve for Animal Control Expendi	Total Animal Control Fund wher Funds: Reserve for: Miscellaneous Trust Accounts Payable Due Current Fund Due General Capital Fund
•	1 1		
-	15,785.79 3,641.64 19,427.43	10,893.29	
REF.	B-2, B-5 \$ B-3	B-5 B-5	B-5 B-5 B-5
	sessment Trust Fund: Cash and Investments - Treasurer Assessments Receivable Total Assessment Trust Fund	imal Control Fund: Cash and Investments - Treasurer Deficit in Reserve for Expenditures Total Animal Control Fund	Cash and Investments - Treasurer Accounts Receivable - Police Outside Duty Due Current Fund Total Trust-Other Funds

## ASSESSMENT TRUST FUND STATEMENT OF FUND BALANCE - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	
Balance - December 31, 2015	В	\$ 16,553.30
Balance - December 31, 2016	В	\$ 16,553.30

## GENERAL CAPITAL FUND COMPARATIVE BALANCE SHEET - REGULATORY BASIS DECEMBER 31, 2016 AND DECEMBER 31, 2015

<u>ASSETS</u>	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Cash and Investments - Treasurer	C-2	\$ 433,838.67	\$ 1,204,748.58
Grants Receivable	C-4	588,085.50	577,085.50
Developer Contribution Receivable	C-5	200,000.00	200,000.00
Interfund Loans Receivable	C-8	80.05	1,400,178.48
Deferred Charges to Future Taxation:			•
Funded	C-6	15,885,304.35	7,293,370.06
Unfunded	C-7	5,112,830.43	14,412,651.42
Total		\$ 22,220,139.00	\$ 25,088,034.04
LIABILITIES, RESERVES <u>AND FUND BALANCE</u>			
General Serial Bonds Payable	C-9	\$ 15,802,000.00	\$ 7,200,000.00
Bond Anticipation Notes	C-11	2,419,127.00	14,401,000.00
Infrastructure Loan Payble	C-10	83,304.35	93,370.06
Reserve for Encumbrances	C-12	58,887.46	77,885.33
Improvement Authorizations:		,	,
Funded	C-12	884,857.09	234,925.71
Unfunded	C-12	2,377,883.31	2,722,726.41
Capital Improvement Fund	C-13	66,824.74	50,524.74
Fund Balance	C-1	527,255.05	307,601.79
Total		\$ 22,220,139.00	\$ 25,088,034.04
Authorized But Not Issued	C-14	\$ 2,693,703.43	\$ 2,246,520.51

## GENERAL CAPITAL FUND STATEMENT OF FUND BALANCE- REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

	REF.		
Balance - December 31, 2015	C	\$	307,601.79
Increased by: Premium on Bonds and BAN's	C-2	_	219,653.26
Balance - December 31, 2016	C	\$	527,255.05

## NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS YEARS ENDED DECEMBER 31, 2016 AND 2015

## Note 1: FORM OF GOVERNMENT

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

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. Reporting Entity

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

## B. Description of Funds

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

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

<u>Trust Fund</u> - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. The Borough's Assessment Trust Fund, Animal Control Trust Fund, and Length of Service Awards Program (LOSAP) are accounted for within the Trust Fund pursuant to statutory and regulatory requirements. In addition, pursuant to the provisions of N.J.S.A. 40A: 4-39, the Borough has requested and received regulatory approval to account for the financial transactions of a variety of restricted revenues, escrow funds and donations within its Trust-Other Fund. Expenditures of these dedicated funds are limited to amounts collected.

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

<u>Public Assistance Trust Fund</u> – receipts and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes, unless responsibility has been transferred to Somerset County.

## B. <u>Description of Funds (Cont'd.)</u>

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

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

## C. Basis of Accounting

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

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

## C. Basis of Accounting (Cont'd.)

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

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

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

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Borough, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of the Borough, and discrete reporting of the Library's financial position and operating results would be incorporated in the Borough's financial statements.

## C. Basis of Accounting (Cont'd.)

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

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

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

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

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

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough performed a physical inventory and assessment of fixed assets for the year ended December 31, 2015. Assets acquired through December 31, 2015 were valued based on actual costs, where available, and other methods, including current replacement values and estimated historical costs. However, the general fixed assets were not kept up to date for the year ended December 31, 2016 resulting in a qualification of opinion. Note 4 to the financial statements sets forth the status of the Borough's general fixed assets as of December 31, 2015.

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

<u>Disclosures About Pension Liabilities</u> – The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 9 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

## C. Basis of Accounting (Cont'd.)

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

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

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

## Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. The objective of this Statement is to enhance financial statement comparability among governments by requiring measurement of certain assets and liabilities at fair value using accepted valuation techniques.

GASB issued Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB issued Statement No. 74 "Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans" in June 2015. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

GASB issued Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

GASB issued Statement No. 77 "Tax Abatement Disclosures" in August 2015. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users.

## C. Basis of Accounting (Cont'd.)

## Recent Accounting Standards

GASB issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79 "Certain External Investment Pools and Pool Participants" in December 2015. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14" in January 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB issued Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

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

## C. Basis of Accounting (Cont'd.)

## Recent Accounting Standards

<u>Comparative Data</u> - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2015 financial statements to conform with classifications used in fiscal year 2016.

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

## A. Summary of Municipal Debt for Capital Projects

	***************************************	YEAR 2016		YEAR 2015
Issued:				
General: Serial Bonds Bond Anticipation Notes Environmental Infrastructure Trust & Fund Loans	\$	15,802,000.00 2,419,127.00 83,304.35	\$	7,200,000.00 14,401,000.00 93,370.06
Total Debt Issued		18,304,431.35	_	21,694,370.06
Authorized but not Issued:				
General: Bonds & Notes	******	2,693,703.43	******	2,246,520.51
Total Authorized but not Issued		2,693,703.43		2,246,520.51
Net Bonds & Notes Issued and Authorized but not Issued	\$	20,998,134.78	\$ <u></u>	23,940,890.57
Summarized below are the Borough's individual bat December 31, 2016 and 2015:	ond iss		anding	
General Improvement Debt		YEAR 2016		YEAR 2015
\$4,513,000 General Improvement Bonds, date of issuance July 15, 2001	\$	-	\$	328,000.00
\$9,672,000 General Improvement Bonds, date of issuance February 15, 2008		1,225,000.00		6,872,000.00
\$9,747,000 General Improvement Bonds, date of issuance April 21, 2016		9,747,000.00		
\$4,830,000 General Improve, Refunding Bonds, date of issuance September 15, 2016		4,830,000.00		
Environmental Infrastructure Trust Loan 2.0% Interest, Final Maturity 2024		23,292.82		25,857.11
Environmental Infrastructure Fund Loan 0.0% Interest, Final Maturity 2024		60,011.53		67,512.95
Bond Anticpation Notes, Due April 21, 2017 2.000% Rate of Interest		2,419,127.00		
Bond Anticpation Notes, Due April 22, 2016 1.500% Rate of Interest				4,700,000.00
Bond Anticpation Notes, Due April 22, 2016 0.62% Rate of Interest				9,701,000.00
Total General Improvement	\$	18,304,431.35	<b>\$</b>	21,694,370.06

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

## B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2016</u>	Gross Debt	<u>Deductions</u>	Net Debt
Local School District Debt General Debt	\$ 27,025,000.00 20,998,134.78	\$ 27,025,000.00 11,974.02	\$ 
	\$ 48,023,134.78	\$ 27,036,974.02	\$ 20,986,160.76
Net Debt \$20,986,160.76 Divided by Ed \$ 733,867,951.33 =	qualized Valuation Basis per 2.86%	N.J.S.A. 40A:2-2 as amended	
<u>2015</u>	Gross Debt	<u>Deductions</u>	Net Debt
Local School District Debt General Debt	\$ 28,010,000.00 23,940,890.57	\$ 28,010,000.00 2,234,869.09	\$ 21,706,021.48
	\$ 51,950,890.57	\$ 30,244,869.09	\$ 21,706,021.48
Net Debt \$21,706,021.48 Divided by Ed \$ 730,046,066.33 =	qualized Valuation Basis per	N.J.S.A. 40A:2-2 as amended	
The Borough's borrowing Power Under December 31, was as follows:	40A: 2-6 as amended, at		
		2016	2015
3 1/2% of Equalized Valuation Basis Municipal Net Debt		\$ 25,685,378.30	\$ 25,551,612.32
		20,986,160.76	21,706,021.48
Remaining Borrowing Power		\$ 4,699,217.54	\$ 3,845,590.84

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

## C. Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding at December 31, 2016

Calendar		•				
Year	General			Total		
		<u>Principal</u>		Interest		
2017	\$	925,000.00	\$	575,821.63	\$	1,500,821.63
2018		975,000.00		481,455.00		1,456,455.00
2019		970,000.00		218,380.00		1,188,380.00
2020		1,010,000.00		193,380.00		1,203,380.00
2021		1,062,000.00		168,380.00		1,230,380.00
Subtotal		4,942,000.00		1,637,416.63		6,579,416.63
2022		1,085,000.00		142,880.00		1,227,880.00
2023		1,110,000.00		116,880.00		1,226,880.00
2024		1,135,000.00		90,880.00		1,225,880.00
2025		1,155,000.00		64,880.00		1,219,880.00
2026		1,175,000.00		38,880.00		1,213,880.00
Subtotal		5,660,000.00		454,400.00		6,114,400.00
2027		650,000.00				650,000.00
2028		650,000.00				650,000.00
2029		650,000.00				650,000.00
2030		650,000.00				650,000.00
2031	#*************************************	650,000.00		12,940.00		662,940.00
Subtotal	***************************************	3,250,000.00		12,940.00		3,262,940.00
2032		650,000.00				650,000.00
2033		650,000.00				650,000.00
2034		650,000.00		12,940.00		662,940.00
Subtotal		1,950,000.00		12,940.00		1,962,940.00
Total	<b>s</b>	15,802,000.00	_ \$_	2,117,696.63	\$.	17,919,696.63

#### D. <u>Bond Anticipation Notes</u>

The Borough had outstanding Bond Anticipation Notes at December 31, 2016 as follows:

Issue <u>Date</u>	Maturity <u>Date</u>	Amount of Notes	Interest Rate
04/21/16	04/21/17	\$ 2.419.127.00	2.00%

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

#### G. Refinancing

On September 15, 2016, the Borugh issued general improvement refunding bonds. The Bonds were issued by the Borough to provide funds to (i) advance refund all of the \$5,147,000 outstanding principal amount of the Borough's General Improvement Bonds, Series 2008, originally issued in the principal amount of \$9,672,000, dated February 28, 2008, which amount matures on February 15 in each of the years 2019 through 2026, inclusive (the "Refunded Bonds"), and (ii) provide for the costs associated with the authorization, sale and issuance of the Bonds.

The 2016 Refunding Bonds bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of February and August, commencing February 15, 2017, in each of the years and at the interest rates of 4.00%, while yields, which reflect premiums or discounts, ranged from 0.86% to 1.91%. Net Present value savings amounted to \$379,992.32 or 7.383% of the Refunded Bonds. The Net Interest Cost (NIC) on the Refunding Bonds was 1.76%. The proceeds of the sale of \$5,406,337.03 includes a net premium of \$576,337.03 after deductions for underwriting fees and other costs associated with the issuance of the Refunding Bonds, for a net proceed amount, excluding additional proceeds of \$576,337.03, of \$5,406,337.03, which was used to payoff outstanding bonds.

### The outstanding debt service with respect to the Township's Refunding Callable 2016 Bonds Issued and Outstanding at December 31, 2016 is as follows:

	General			
<u>Year</u>		<u>Principal</u>		<u>Interest</u>
2017			Φ	177 100 00
2017			\$	177,100.00
2018				193,200.00
2019	\$	590,000.00		181,400.00
2020		590,000.00		157,800.00
2021		615,000.00		133,700.00
2022		610,000.00		109,200.00
2023		610,000.00		84,800.00
2024		610,000.00		60,400.00
2025		605,000.00		36,100.00
2026		600,000.00		12,000.00
Total	_\$	4,830,000.00	\$	1,145,700.00

#### Note 4: GOVERNMENTAL FIXED ASSETS - UNAUDITED

At December 31, 2016 the Borough's governmental fixed assets were unaudited. The activity for 2016 has not been updated. At December 31, 2015, the Borough's governmental fixed assets consisted of:

	<u>2015</u>
Land & Land Improivements	\$ 6,425,300.00
<b>Buildings and Building Improvements</b>	4,535,600.00
Furniture and Fixtures	208,113.00
Equipment	1,133,907.65
Vehicles and Equipment	 3,007,787.85
	\$ 15,310,708.50

#### Note 5: DEFERRED COMPENSATION TRUST FUND

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

#### Note 6: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2016 and 2015 which were appropriated and included as anticipated revenue in their respective funds for the fiscal years ending December 31, 2017 and 2016 were as follows:

<b>Fund</b>	Fund Balance December 31, 2016	Utilized in Succeeding Budget
Current Fund	\$907,821.27	\$800,000.00
<b>Fund</b>	Fund Balance December 31, 2015	Utilized in Succeeding Budget
Current Fund	\$574,586.18	\$321,179.00

#### Note 7: DEFERRED CHARGES TO BE RAISED IN FUTURE BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 and 2015, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2016	Raised in 2017 Budget	Balance to Succeeding Years	
Current Fund:			*************	
<b>Emergency Appropriation</b>	\$25,000.00	\$5,000.00	\$20,000.00	
	Balance December 31, 2015	Raised in 2016 Budget	Balance to Succeeding Years	
Current Fund:				
Overexpenditure of Approp.	\$7,060.00	\$7,060.00	None	
Animal Control Fund:				
Animai Control Fund.				

#### Note 8: DEPOSITS AND INVESTMENTS

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

#### **Deposits**

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

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

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 that \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of December 31, 2016, cash and cash equivalents and investments of the Borough on deposit and onhand consisted of the following:

2016

Demand Accounts	\$4,608,579.62
Change Funds (On Hand)	400.00
NJCMF	39,295.99
Total	\$ <u>4,648,275.61</u>

Based upon GASB criteria, the Borough considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At December 31, 2016, the carrying amount of the Borough's deposits was \$4,648,275.61, and the bank balance was \$4,923,655.67. Of the bank balance, \$470,922.27 was covered by federal depository insurance, \$4,413,437.41 was covered under the provisions of NJGUDPA and \$39,295.99 was held in cash management funds. In addition, \$474,238.87 was held by the Plan Administrator for the LOSAP Program (Unaudited).

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

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

- (a) Custodial Credit Risk The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Based upon the insured balances provided by FDIC and NJGUDPA coverages, none of the Borough's \$4,884,359.68 bank balance is considered exposed to custodial credit risk. The Borough's investments during the year and at year-end consisted of amount held in the New Jersey Cash Management Fund.
- (b) Concentration of Credit Risk This is the risk associated with the amount of investments that the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy.
- (d) Interest Rate Risk This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, the Borough was subject to Custodial Credit Risk in the following amounts:

Depository Account	Bank Balance
Insured—FDIC	\$470,922.27
Insured—NJGUDPA (N.J.S.A. 17:941)	4,413,437.41
Held by Trustee (LOSAP - unaudited)	474,238.87
Total	\$5,358,598.55

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

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

#### Investments

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

- 1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
- 2. Government money market mutual funds;
- 3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
- 4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located;
- 5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
- 6. Local government investment pools;
- 7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
- 8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. The Borough had \$39,295.99 invested in the New Jersey Cash Management Fund as at December 31, 2016.

#### Note 9: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1<sup>st</sup> and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. If taxes are delinquent on or after April 1<sup>st</sup> of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

#### NOTE 10. PENSION PLANS

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at <a href="www.state.nj.us/treasury/pensions">www.state.nj.us/treasury/pensions</a>, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

#### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
Total	<u>433,296</u>

Contributing Employers -1,713

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

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

For the year ended December 31, 2016 the Borough's total payroll for all employees was \$4,215,940.07. Total PERS covered payroll was \$1,379,485.00. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$175,828 and \$151,648, respectively.

#### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

Borough contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Borough payments to PERS for the years ending December 31, 2015 and 2016 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost Amortization of Accrued Liability	\$ 24,563 113,622	\$ 20,781 <u>95,728</u>
Total Pension NCGI Premiums	138,185 <u>9,359</u>	116,509 <u>6,238</u>
Total Regular Billing Additional Billings:	147,544	122,747
Ch. 19, P.L. 2009	9,732	9,792
ERI #1	10,936	11,264
ERI #2	<u>7,616</u>	<u>7,845</u>
Total PERS Payment	<u>\$175,828</u>	<u>\$151,648</u>

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

ERI #1 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from the Borough's participation in the 1991 early retirement program. The repayment term is 27 years, commencing with bills due on April 1, 1995.

ERI #2 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from the Borough's participation in the 1993 early retirement program. A variety of repayment terms were offered as pert of this retirement incentive program.

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

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

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

#### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

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

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

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$4,945,947 or 0.016700%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$3,204,981 or 0.014277%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation rate 3.08%

Salary Increases: Through 2026 1.65-4.15% Based on age
Thereafter 2.65-5.15% Based on age

Investment rate of return 7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-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 and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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 1 year for females).

#### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

A cost Class	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class	Allocation	Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% 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 2034.

#### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

<u>Sensitivity of Net Pension Liability</u> – The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State Local	\$34,422,851,197 36,292,338,055	\$29,390,685,705 29,617,131,759	\$25,246,574,457 24,106,170,190
PERS Plan Total	\$ <u>70,715,189,252</u>	\$ <u>59,007,817,464</u>	\$ <u>49,352,744,647</u>
Borough's proportionate share of the net pension liability	<u>\$6,060,681</u>	\$ <u>4,945,947</u>	\$4,025,638

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	Total
Total Pension Liability Plan Fiduciary Net Position	\$36,295,189,928 6,904,504,223	\$49,474,698,146 19,857,566,387	\$85,769,888,074 26,762,070,610
Net Pension Liability	<u>\$29,390,685,705</u>	<u>\$29,617,131,759</u>	\$59,007,817,464

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year ending	<u>Amount</u>
2017	\$222,930
2018	222,930
2019	272,854
2020	269,759
2021	147,287
Total	\$1,135,760

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

#### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

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

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits Inactive plan members entitled to but not yet receiving benefits Active plan members	45,423 51 42,036
Total	87,510

#### Contributing Employers – 586

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS and PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2016 the Borough's total payroll for all employees was \$4,215,940.07. Total PFRS covered payroll was \$2,446,141.00. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10% in October 2011. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$652,545 and \$705,631, respectively. Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Borough payments to PFRS made in the years ending December 31, 2015 and 2016 consisted of the following:

#### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

	<u>2015</u>	<u>2016</u>
Normal Cost	\$201,851	\$ 214,738
Amortization of Accrued Liability	<u>360,200</u>	<u>397,221</u>
Total Pension	562,051	611,959
NCGI Premiums	26,395	28,553
Total Regular Billing Additional Billings:	588,446	640,512
Ch. 19, P.L. 2009	33,394	33,493
ERI #1	30,705	31,626
Total PFRS Payment	<u>\$652,545</u>	<u>\$705,631</u>

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

The following represents the membership tiers for PFRS:

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 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.

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

At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$13,893,801, or 0.072733%. At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$13,125,037, or 0.078798%.

#### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Actuarial Assumptions- T The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation rate 3.089

Salary Increases: Through 2026 2.10-8.98% Based on age Thereafter 3.10-9.98% Based on age

Investment rate of return 7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

The long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

#### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
110500 01450	7 modulon	rate of return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 30% 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

#### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

•	At 1% Decrease (4.55%)	At current discount rate (5.55%)*	At 1% increase (6.55%)
State Local	\$ 5,612,325,178 26,699,770,118	\$ 4,710,744,193 20,706,699,056	\$ 3,977,817,225 15,819,710,095
PFRS Plan Total	<u>\$32,312,095,296</u>	\$25,417,443,249	\$19,797,527,320
Borough's proportionate share of the net pension liability	<u>\$19,419,456</u>	\$ <u>15,060,536</u>	<u>\$11,506,098</u>

<sup>\*-</sup> Local Share includes \$1,604,141,087 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability Plan Fiduciary Net Position	\$ 6,255,619,682 1,544,875,489	\$43,146,550,231 22,439,851,175	\$49,402,169,913 23,984,726,664
Net Pension Liability	\$ 4,710,744,193	<u>\$20,706,699,056</u>	\$25,417,443,249

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year ending	<u>Amount</u>
2017	\$631,493
2018	631,493
2019	877,356
2020	412,328
2021	(83,443)
Total	\$ <u>2,469,227</u>

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.58, 5.53, and 6.17 years for the 2016, 2015 and 2014 amounts, respectively.

#### C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

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

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

For the year ended December 31, 2016 the Borough had no employees eligible for enrollment in the DCRP.

#### D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	Net Pension <u>Liability</u>	Deferred Outflows	Deferred <u>Inflows</u>	Total Pension Expense
PERS PFRS	\$ 4,945,947 13,893,801	\$1,699,855 3,258,040	\$564,095 788,811	\$151,648 705,631
Total	\$ <u>18,839,748</u>	<u>\$4,957,895</u>	\$1,352,906	\$ <u>857,279</u>

#### Note 11: POST EMPLOYMENT HEALTH BENEFITS

**Plan Description:** The Borough of Bound Brook contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

#### Note 11: POST EMPLOYMENT HEALTH BENEFITS (CONT'D.)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Borough of Bound Brook provides postretirement health benefits to retirees of the PBA, SOA and AFSCME only. All active full time employees are covered by the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits. P.O. Box 295, Trenton. NJ 08625-0295 or by visiting their website www.state.nj.us/treasury/pensions.

**Funding Policy:** Participating employers are contractually required to be contributed based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

All employees of the Borough are entitled to post employment health benefits, excluding dental coverage, at existing pre-retirement levels, upon retirement with twenty-five years of service as an employee of the Borough, pursuant to the provisions of C.78, P.L. 2011. The Borough's share of premiums to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Bound Brook on a monthly basis. Employees with less than 20 years of creditable service as of June 28, 2011 are, upon qualified retirement, required to contribute to the costs of post employment health insurance. Contributions are calculated on a sliding scale and are based upon the amount of the retirement allowance provided by the pension system. No contribution is required for retirees and active employees with 20 or more years of creditable service as of June 28, 2011.

#### Note 12: COMPENSATED ABSENCES

Under existing collective bargaining agreements and personnel policies of the Borough, employees are allowed to accumulate unused compensatory, vacation and sick pay over the life of their working careers, which may be taken as time off, additional annual pay, or as termination payments upon retirement, at agreed upon rates. At December 31, 2016 and 2015, the estimated value of accumulated and unused compensated absences, was \$708,305.21 and \$536,616.17, respectively.

Under accounting principles and practices prescribed by the Division of local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be recorded and/or reported in the Borough's financial statements. Any required payments are recorded as expenditures in the year of projected disbursement and accordingly, no liability has been accrued as at December 31, 2016.

#### Note 13: LEASES

The Borough has acquired vehicles and equipment through a leasing program sponsored by the Somerset County Improvement Authority and financed by TD Equipment Finance, Inc. Significant terms and minimum payments relating to the leases are as follows:

#### 2014 Lease Program:

#### Lease Payment Schedule:

Date: Amount: Interest Rate:	May 1, 2014 \$103,883.65 1.90%	<u>Date</u> 05/1/17 Totals	Payment \$ 35,916.91 \$ 35,916.91	Principal \$ 35,264.52 \$ 35,264.52	minute and the same and the sam
2016 Lease Pro	ogram:		Lease Paymo	ent Schedule:	
Date: Amount: Interest Rate:	October 1, 2016 \$93,087.99 1.85%	Date 10/1/17 10/1/18 10/1/19 Totals	Payment \$ 32,184.43 32,184.43 32,184.43 \$ 96,553.29	Principal \$ 30,462.30 31,025.85 31,599.84 \$ 93,087.99	Interest \$ 1,722.13 1,158.58 584.59 \$ 3,465.30

#### Note 14: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

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

#### Note 15: RISK MANAGEMENT

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

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

#### Note 16: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough PILOT billings in 2016 were \$251,746.75 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to \$1,096,820.22, based upon the assessed valuations of the long-term tax exemptions properties.

#### Note 17: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2016:

<u>Fund</u>	Interfund <u>Receivable</u>	Interfund Payable
Current Fund	\$ 43,402.47	\$ 198,873.87
S & F Grant Fund	198,793.82	
Assessment Trust Fund		174.33
Animal Control Fund		2.16
Other Trust Fund		43,225.98
General Capital Fund	80.05	
Total	\$ 242,276.34	\$ 242,276.34

#### Note 18: COMMITMENTS AND CONTINGENCIES

#### Federal and State Assistance Programs

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2016, the Borough does not believe that any material liabilities will result from such audits.

#### Contingencies-Pending Litigation

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

#### NOTES TO FINANCIAL STATEMENTS

#### Note 19: SUBSEQUENT EVENTS

The following bond ordinances were authorized subsequent to the balance sheet date:

The Borough issued Bond Anticipation Notes dated April 20, 2017 with a maturity date of April 20, 2018. The BAN's were issued for \$3,070,00 with an interest rate of 1.50%.

The Borough appropriated \$130,000 therefore authorized the issuance of \$123,500 Bond and/or Notes dated May 23, 2017, for Renovations of the Ball Field at Rock Machine Park.

The Borough appropriated \$1,562,000 therefore authorized the issuance of \$1,158,250 Bond and/or Notes dated May 23, 2017, for Various Capital Improvements.

# BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

# PART II REQUIRED SUPPLEMENTARY INFORMATION

# BOROUGH OF BOUND BROOK SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

#### Last 10 Fiscal Years\*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Borough's Proportion of the Net Pension Liability	0.018984%	0.017897%	0.014277%	0.016700%
Borough's Proportionate Share of the Net Pension Liability	\$3,628,155	\$3,350,892	\$3,204,981	\$4,945,947
Borough's Covered-Employee Payroll	\$1,197,161	\$1,217,865	\$1,258,125	\$1,379,485
Borough's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	303.06%	275.14%	254.74%	358.54%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	47.93%	40.14%

<sup>\*</sup> Amounts presented for each fiscal year were determined as of June 30.

#### BOROUGH OF BOUND BROOK SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

#### Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 170,562	\$ 175,828	\$ 151,648
Contribution in Relation to Contractually Required Contribution	\$ (170,562)	\$ (175,828)	\$ (151,648)
Contribution deficiency (excess)	\$ -	\$ -	- \$
Borough's Proportionate Share of the Payroll	\$ 1,217,865	\$ 1,258,125	\$1,379,485
Contributions as a percentage of Covered Employee Payroll	14.01%	13.98%	10.99%

<sup>\*</sup> Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

# BOROUGH OF BOUND BROOK SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

#### Last 10 Fiscal Years\*

	<u>2013</u>	2014	<u>2015</u>	<u>2016</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.074075%	0.076614%	0.078798%	0.072733%
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$9,847,608	\$9,637,291	\$13,125,037	\$13,893,801
District's Covered-Employee Payroll	\$2,172,315	\$2,256,044	\$2,325,819	\$2,446,141
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the District's Covered-Employee Payroll	453.32%	427.18%	564.32%	567.99%
Plan Fiduciary Net Position as a percentage of the Total Pension	55 710/	50.0/0/	52.040/	40.550/
Liability (See Note Below)	55.71%	58.86%	52.84%	48.55%

<sup>\*</sup> Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

# BOROUGH OF BOUND BROOK SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

#### Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 602,987	\$ 652,545	\$ 705,631
Contribution in Relation to Contractually Required Contribution	\$ (602,987)	\$ (652,545)	\$ (705,631)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 2,256,044	\$ 2,325,819	\$2,446,141
Contributions as a percentage of Covered Employee Payroll	26.73%	28.06%	28.85%

<sup>\*</sup> Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

Note: Contractually required contributions include mandated annual payments resulting from the Borough's participation in authorized ERI and pension deferral programs. See Note 9.

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

#### NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION <u>DECEMBER 31, 2016</u>

#### **NOTE 1. CHANGES IN ASSUMPTIONS**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2016, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

#### **PERS**

Changes in benefit terms - None

Changes in assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

#### **PFRS**

Changes in benefit terms - None

Changes in assumptions - For 2016, the discount rate change to 5.55%, the long-term expected rate of return changed to 7.65% and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 – June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

# BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

PART III
SUPPLEMENTARY SCHEDULES

#### **Current Fund**

## CURRENT FUND SCHEDULE OF CASH TRANSACTIONS

	Ref.			
Cash Balance - December 31, 2015	Α		\$	3,389,010.43
Increased by Cash Receipts				
Petty Cash Returned	A-5	200.00		
Due NJ Sr Citizens and Veterans Deductions	A-6	63,355.52		
Taxes Receivable	A-7	24,711,468.79		
Tax Title Liens	A-8	12,640.53		
Revenue Accounts Receivable	A-9	3,236,582.40		
Sewer Rents Receivable	A-10	1,374,642.41		
Refuse Disposal Fees	A-11	417,780.23		
Grant Funds Received	A-12	96,184.41		
Interfunds	A-12	851,659.64		
Tax Overpayments	A-17	23,973.47		
Prepaid 2017 Property Taxes	A-18	91,318.70		
Prepaid Refuse Disposal Fees	A-21	24,912.35		
Prepaid Sewer Rents	A-22	3,627.78		
Other Reserves	A-23	100,000.00		
Total Cash Receipts				31,008,346.23
Decreased by Disbursements				34,397,356.66
Refunds Prior Year Revenues	A-1	7,275.41		
Budget Appropriations	A-3	12,133,757.45		
Petty Cash Advanced	A- 5	200.00		
Grant Fund Expenditures	A-12	172,222.45		
Interfunds	A-12	2,787,627.50		
Appropriation Reserves	A- 15	221,902.48		
Non-Municipal Taxes Payable	A-16	17,016,694.48		
Tax Overpayment Refunds	A-17	15,082.04		
Other Reserves	A-23	17,113.52	-	
Total Cash Disbursements			_	32,371,875.33
Cash Balance - December 31, 2016	A		\$_	2,025,481.33

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

		BALANCE CEMBER 31 2015		ADVANCED		RETURNED		BALANCE DECEMBER 31 2016
Change Funds: Tax Collector Municipal Court Borough Clerk		\$ 150.00 200.00 50.00	\$		\$		\$	150.00 200.00 50.00
Petty Cash Funds				200.00		200.00		
		\$ 400.00	\$ :	200.00	\$ =	200.00	\$ =	400.00
	Ref.	A		A-4		A-4		Α

#### Exhibit - A-6

#### SCHEDULE OF DUE FROM STATE OF NEW JERSEY -FOR ALLOWABLE DEDUCTIONS PER CHAPTER 20, P.L. 1976 <u>CURRENT FUND</u>

	REF.		
Balance - December 31, 2015	A	\$	1,340.00
Increased by:			
Allowable Deductions per Tax Billings	A-6	63,750.00	
2016 Sr. Citizens and Vet. Ded. Allowed by Collector	A-6	375.00	
•		Ministration	64,125.00
			65,465.00
Decreased by:			
Collected	A-4	63,355.52	
2016 Sr. Citizens and Vet. Ded. Disallowed by Collector	A-6	1,018.75	
·			64,374.27
Balance - December 31, 2016	A	\$	1,090.73
Analysis of Sr. Citizens & Veterans <u>Deductions Allowed - 2016 Taxes</u>			
Per Tax Billings	A-6		63,750.00
Allowed (Disallowed) by Tax Collector (Net)	A-6		(643.75)
1110 (2.22110	110		(013.73)
	A-7	\$	63,106.25

# SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY <u>CURRENT FUND</u>

BALANCE DEC. 31,2016	1	ı	489,453.09	489,453.09	A																
OVERPAYMENT E APPLIED DI	\$		13,359.99	13,359.99 \$	A-2, A-17																
TRANSFER TO TTL	8,247.98 \$	8,247.98	7,126.90	15,374.88	A-8																
REMITTED OR CANCELLED	5,406.63 \$	5,406.63	19,255.93	24,662.56 \$	Reserve																
STATE SHARE OF SR. CIT & VET. DEDUCTIONS	\$		63,106.25	63,106.25 \$	A-2, A-6																
	512,656.77 \$	512,656.77	24,198,812.02	54,353.40 \$ 24,711,468.79 \$	A-2, A-4					\$ 24,845,467.58								17,016,694.83		7,828,772.75	24,845,467.58
COLLECTIONS BY CASH 2015 2016	S		54,353.40		A-2, A-18				24,738,519.23 106,948.35	<b>⇔</b>		13,961,192.00	106,948.35	2,371,593.93	349,554.66	222,629.39	4,776.50		7,788,658.09 40,114.66	'	<b>⇔</b>
2016 LEVY	Ş	,	24,845,467.58	526,311.38 \$ 24,845,467.58 \$	Reserve		Ref.		<i>S</i> 1			A-16 \$	A-16	A-16		A-16	A-16		A-2		
BALANCE DEC. 31,2015	\$ 526,311.38 \$	526,311.38		\$ 526,311.38 \$	Ref. A	Analysis of 2016 Property Tax Levy:			Taxes			x (Abstract)	Гах	stract)	Fax (Abstract)	County Open Space Tax (Abstract)	ax		Local Tax for Mun. Purposes (Abstract) Add: Additional Tax Levied		
YEAR	2015		2016			Analysis of 2016		Tax Yield.	General Purpose Special District Taxes		Tax Levy:	Local School Tax (Abstract)	Special District Tax	County Tax (Abstract)	County Library Tax (Abstract)	County Open Sp.	Added County Tax		Local Tax for Mun. Purpose: Add: Additional Tax Levied		

# SCHEDULE OF TAX TITLE LIENS $\underline{\text{CURRENT FUND}}$

	REF.		
Balance - December 31, 2015	A	\$	33,828.36
Increased by: Transfer from Taxes Receivable	A - 7	6	15,374.88
Decreased by:			49,203.24
Collections	A - 4		12,640.53
Balance - December 31, 2016	A	\$	36,562.71

# SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE <u>CURRENT FUND</u>

	REF.	BALANCE DECEMBER 31, 2015	2016 ACCRUED	2016 COLLECTED	BALANCE DECEMBER 31, 2016
Alcoholic Beverage Licenses	A-2	\$ -	\$ 40,000.00	\$ 40,000.00	\$ -
Other Licenses			48,880.00	48,880.00	
Fees and Permits:			·	,	
Clerk	A-2		11,718.10	11,718.10	
Registrar	A-2		7,177.00	7,177.00	
Rental Inspection Fees	A-2		7,925.00	7,925.00	
Planning Fees	A-2		4,490.00	4,490.00	
Zoning Fees	A-2		5,535.00	5,535.00	
Resale Fees	A-2		11,585.00	11,585.00	
Vacant Property Registration	A-2		59,500.00	59,500.00	
Interest and Costs on Taxes	A-2		166,024.26	166,024.26	
Parking Meter - Municipal	A-2		50,807.34	50,807.34	
Interest on Investments and Deposits	A-2		10,731.65	10,731.65	
Parking Lot Fees	A-2		150,113.10	150,113.10	
Cable TV Franchise Fee	A-2		122,231.16	122,231.16	
Uniform Construction Code Fees	A-2		125,822.00	125,822.00	
Administrative Fees-Off Duty Police	A-2		46,377.13	46,377.13	
County Library Payment	A-2		41,794.00	41,794.00	
Uniform Fire Safety Act - LEA Rebates	A-2		13,227.84	13,227.84	
Inspection Fees	A-2		55,925.00	55,925.00	
Rent from South Bound Brook Court	A-2		5,962.07	5,962.07	
Train Station Rent	A-2		25,140.00	25,140.00	
PILOT Payment	A-2		246,191.09	246,191.09	
Sewer Connection Queens Gate	A-2		96,000.00	96,000.00	
Meridia Payment	A-2		30,000.00	30,000.00	
Meridia Agreement	A-2		100,000.00	100,000.00	
Resident Impact Fees	A-2		228,000.00	228,000.00	
Energy Receipts Tax	A-2		940,676.00	940,676.00	
Consolidated Municipal Property Tax			,	,	
Relief Act	A-2		178,034.00	178,034.00	
Municipal Court - Fines & Costs	A-2	26,352.63	349,260.76	350,708.04	24,905.35
		26,352.63	3,179,127.50	3,180,574.78	24,905.35
Miscellaneous Revenue Not Anticipated:					
Housing Inspections			1,657.00	1,657.00	
Property Maintenance			31,953.06	31,953.06	-
Alarm Registration			210.00	210.00	_
Fire Prevention Bureau			1,945.00	1,945.00	_
Sr. Cit. & Vet. Admin. Fee			1,267.11	1,267.11	
Miscellaneous			18,975.45	18,975.45	_
			10,7,0.10	10,573.13	
	A-2	_	56,007.62	56,007.62	
		\$ 26,352.63	\$ 3,235,135.12	\$3,236,582.40	\$ 24,905.35
<u>Ref.</u>		A	Reserve	A-4	A

## SCHEDULE OF SEWER RENTS RECEIVABLE <u>CURRENT FUND</u>

	REF.	
Balance - December 31, 2015	Α	\$ 130,910.49
Increased by: Sewer Rent Billings	Reserve	1,374,598.01 1,505,508.50
Decreased by: Collected	A-2, A-4	1,374,642.41
Balance - December 31, 2016	$\mathbf{A}$	\$130,866.09

Exhibit - A-11

# SCHEDULE OF REFUSE DISPOSAL FEES RECEIVABLE $\underline{\text{CURRENT FUND}}$

	REF.	
Balance - December 31, 2015	A	\$ 54,360.99
Increased by: Refuse Disposal Fee Billings and Sticker Sales	Reserve	434,700.00
Decreased by:		489,060.99
Collected	A-2, A-4	417,780.23
Balance - December 31, 2016	A	\$71,280.76

## CURRENT FUND SCHEDULE OF INTERFUNDS

		BALANCE DECEMBER 31, 2015		INCREASES		<u>DECREASES</u>		BALANCE DECEMBER 31, 2016
Interfunds Loans Due From or (To):								
Assessment Trust Fund	\$	3 174.44	\$	-	\$	0.11	\$	174.33
Animal Control Trust Fund		10.82				8.66		2.16
Trust Other Fund		(495,152.23)	ı	850,356.07		1,388,734.28		43,225.98
Grant Fund		(274,831.85)	ı	186,417.55		262,455.58		(198,793.82)
General Capital Fund		(1,397,678.48)		1,294.79		1,398,893.22		(80.05)
Total		(2,167,477.30)	\$_	1,038,068.41	\$.	3,050,091.85	\$	(155,471.40)
<u>R</u>	tef.	Α						A
Receivables Payables	\$	3 185.26 (2,167,662.56)	-				\$	43,402.47 (198,873.87)
Total		(2,167,477.30)	=				\$	(155,471.40)
Grant Appropriations Charged Grants Deposited to Current Fund Grant Expenditures Paid by Current Cash Received Cash Disbursed  A  A	A-2 A-3 A-4 A-4 A-4 A-4		\$	90,233.13 96,184.41 851,650.87	\$	172,222.45 8.77 2,787,627.50	•	
Total			\$_	1,038,068.41	<b>\$</b> :	3,050,091.85		

### **SCHEDULE OF DEFERRED CHARGES**

		BALANCE DECEMBER 31, 2015		RESULTING FROM CY 2016		RAISED IN 2016 BUDGET		BALANCE DECEMBER 31, 2016
Emergency Authorization	\$		\$	25,000.00	\$		\$	25,000.00
Overexpenditure of 2015 Appropriations		7,060.00				7,060.00		_
	\$	7,060.00	<b>.</b> \$_	25,000.00	<b>. \$_</b>	7,060.00	\$_	25,000.00
Ref.		A		A-1, A-3		A-3		A
								Exhibit - A-14
SCHE	DU	LE OF RESERV	VE I	OR ENCUME	<u>BRA</u>	<u>NCES</u>		
				<u>REF.</u>				
Balance - December 31, 2015				A			\$	67,463.46
Increased by: 2016 Budget Encumbrances				A-3			_	112,421.24
Decreased by:								179,884.70
Transerred to 2015 Appropriation Reserve	es			A-15			_	67,463.46
Balance - December 31, 2016				A			\$ _	112,421.24

# SCHEDULE OF 2015 APPROPRIATION RESERVES

	<b>BALANCE-DEC. 31, 2015</b>	EC. 31, 2015	AMOUNT		
	APPROP. RESERVES	RESERVE FOR ENCUMBRANCES	AFTER MODIFICATION	PAID OR CHARGED	BALANCE <u>LAPSED</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive:					
Salaries and Wages \$	1,101.00 \$	\$		0.18 \$	0.82
Other Expenses	994.20	15.00	2,290.20	2,289.42	0.78
Municipal Clerk:					
Salaries and Wages	106.42		106.42		106.42
Other Expenses	102.69	491.46	1,111.15	1,110.23	0.92
Elections:					
Salaries and Wages	100.00		100.00		100.00
Other Expenses	383.67		383.67		383.67
Financial Administration:					
Salaries and Wages	1,500.12		0.12		0.12
Other Expenses	2,149.43	347.03	7,867.46	7,866.71	0.75
Assessment of Taxes:					
Salaries and Wages	38.00		38.00		38.00
Other Expenses	166.86	98.36	924.22	923.91	0.31
Collection of Taxes:					
Salaries and Wages	60.10		60.10		60.10
Other Expenses	23.46	120.35	808.81	808.71	0.10
Legal Services and Costs:					
Other Expenses	37,654.29		8,297.29	8,296.77	0.52
Engineering Services and Costs:					
Other Expenses	20,675.34		16,959.34	16,958.68	99:0
Public Buildings and Grounds:					
Salaries and Wages	181.75		181.75		181.75
Other Expenses	10.63	2,892.85	4,157.48	3,426.89	730.59
Inspection Department:					
Salaries and Wages	138.52		138.52		138.52
Other Expenses	126.42		126.42	113.67	12.75
Planning Board:					
Salaries and Wages	2,501.55		21.55		21.55
Other Expenses	212.70	1,832.00	2,044.70	2,009.26	35.44

ĸ.
$\overline{}$
⋖
-
-=
4
-
EX

# SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE-I	BALANCE-DEC. 31, 2015	AMOUNT		
	APPROP. RESERVES	RESERVE FOR ENCUMBRANCES	AFTER MODIFICATION	PAID OR CHARGED	BALANCE <u>LAPSED</u>
GENERAL GOVERNMENT (Cont'd.)					
Other Evance	150.00	00 057 L	00 000 £	00 027 L	15000
Economic Development Program:	0000	00.000,1	00.000,7	00.000,/	130.00
Other Expenses	500.00		200.00	413.10	86.90
PUBLIC SAFETY					
Municipal Court:					
Salaries and Wages	4,125.70		0.70		0.70
Other Expenses	129.19	1,397.29	2,459.48	1,938.30	521.18
Fire:					
Other Expenses	842.90	13,655.90	40,215.80	39,084.83	1,130.97
Fire Safety Bureau:					
Salaries and Wages	1,097.16		164.16		164.16
Other Expenses	778.39		778.39	545.00	233.39
Police:					
Salaries and Wages	65,041.61		65,041.61	8,484.53	56,557.08
Other Expenses	7,100.58	16,882.62	23,983.20	11,527.35	12,455.85
Insurance:					
Other Insurance	09.0		09.0		09.0
Health Benefits	28,122.95		47.95	47.00	0.95
Parking Meter Maintenance:					
Salaries and Wages	891.69		891.69		891.69
Other Expenses	15.93		15.93		15.93
Emergency Management Services:					
Other Expenses	359.49		359.49	113.16	246.33
STREET AND ROADS					
Road Repairs and Maintenance:					
Salaries and Wages	2,540.23		33,614.23	33,613.80	0.43
Other Expenses	919.48	2,255.06	3,174.54	2,421.75	752.79
Garbage and Trash Removal:					
Other Expenses	1,518.87		1,518.87	1,155.00	363.87
Recycling Contingency Fund:					
Other Expenses	38.54	625.00	4,525.54	4,525.00	0.54

# SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE-I	BALANCE-DEC. 31, 2015	AMOUNT		
	APPROP. <u>RESERVES</u>	RESERVE FOR ENCUMBRANCES	AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
HEALTH AND WELFARE PEOSHA Act - Bd of Health	395.00		395.00		395.00
RECREATION AND EDUCATION					
Parks and Playgrounds:					
Other Expenses	2,776.02	11,993.01	14,769.03	11,010.03	3,759.00
Board of Recreation Commissioners (R.S. 40:12-1):					
Salaries and Wages:	73.00		73.00		73.00
Other Expenses	7,117.73	3,014.56	6,270.29	3,014.56	3,255.73
Construction Official:					
Salaries and Wages:	422.73		422.73		422.73
Other Expenses	1,614.54		483.54	94.54	389.00
Unclassified:					
Gasoline	5,600.32	3,601.63	9,201.95	6,871.20	2,330.75
Telephone and Telegraph	1,048.73		1,048.73	928.37	120.36
Street Lighting	11,722.01		15,438.01	15,437.56	0.45
Fire Hydrant Service	9,261.25		9,261.25	8,976.25	285.00
Electric/Heating	12,183.75		12,183.75	10,647.52	1,536.23
Water	180.91	81.34	1,310.25	1,309.61	0.64
Contingent	500.00		200.00		500.00
Contribution To:					
Social Security System (O.A.S.I.)	753.33		1,445.33	1,445.22	0.11
Public Employees Retire System	0.78		0.78		0.78
State Unemloyment Insurance	2,447.92		2,447.92		2,447.92
OPERATIONS EXCLUDED FROM "CAPS"					
Sewerage Authority (40:14A-8):					
Share of Costs	14,898.98		14,898.98	1,844.37	13,054.61
Length of Service Award Program - (LOSAP)	5,000.00		5,000.00	5,000.00	
Total	\$ 258,397.46 \$	67,463.46	325,860.92 \$	221,902.48 \$	103,958.44
Ref.	۲	A		A-4	A-1

### CURRENT FUND SCHEDULE OF TAXES PAYABLE

		BALANCE DECEMBER 31, 2015		TAXES <u>LEVIED</u>		TAXES <u>PAID</u>		BALANCE DECEMBER 31, 2016
County - General	:	\$ -	\$	2,371,593.93	\$	2,371,593.93	\$	-
County - Open Space		-		222,629.39		222,629.39		-
County - Library		-		349,554.66		349,554.66		-
County - Added & Omitted		-		4,776.50		4,776.50		-
Local School District Taxes		-		13,961,192.00		13,961,192.00		-
Special District Taxes		10,214.62		106,948.35	_	106,948.00		10,214.97
Total		10,214.62	_\$_	17,016,694.83	_\$_	17,016,694.48	_\$_	10,214.97
	Ref.	A		A-1, A-7		A-4		A

# SCHEDULE OF TAX OVERPAYMENTS <u>CURRENT FUND</u>

	REF.		
Balance - December 31, 2015	A	\$	28,442.03
Increased by:			
Tax Overpayments Received	A-4		23,973.47
			52,415.50
Decreased by:			
Refunded	A-4	15,082.04	
Applied to 2016 Taxes	A-7	13,359.99	
			28,442.03
D.L D 1 . 21 . 201.6			22.052.45
Balance - December 31, 2016	A	\$	23,973.47

### Exhibit - A-18

# SCHEDULE OF PREPAID TAXES <u>CURRENT FUND</u>

	REF.	
Balance - December 31, 2015	Α	\$ 54,353.40
Increased by: Prepaid 2017 Taxes Received	A-4	91,318.70
Decreased by:		145,672.10
Applied to 2016 Taxes	<b>A-</b> 7	54,353.40
Balance - December 31, 2016	A	\$ <u>91,318.70</u>

# SCHEDULE OF SEWER RENTS OVERPAYMENTS $\underline{CURRENT\;FUND}$

Balance - December 31, 2015	<u>REF.</u> A	\$	1,027.10
Balance - December 31, 2016	A	<b>\$</b>	1,027.10

Exhibit - A-20

# SCHEDULE OF REFUSE DISPOSAL FEE OVERPAYMENTS $\underline{CURRENT\ FUND}$

Balance - December 31, 2015	<u>REF.</u> A	\$ 150.30
Balance - December 31, 2016	A	\$ 150.30

Exhibit - A-21

# SCHEDULE OF PREPAID REFUSE DISPOSAL FEES $\underline{CURRENT\;FUND}$

Balance - December 31, 2016	A	\$50,831.67
Increased by: Prepayments Received in 2016	A-4	24,912.35
Balance - December 31, 2015	REF. A	\$ 25,919.32

Exhibit - A-22

# SCHEDULE OF PREPAID SEWER RENTS $\underline{\text{CURRENT FUND}}$

	<u>REF.</u>	
Increased by:		
Prepayments Received in 2016	A-4	\$ 3,627.78
Balance - December 31, 2016	A	\$ 3,627.78

# CURRENT FUND SCHEDULE OF OTHER RESERVES

		BALANCE DECEMBER 31, 2015		INCREASES		<u>DECREASES</u>	BALANCE DECEMBER 31, 2016
Reserve for:  Deferred Revenue:							
PILOT Extension	\$	200,000.00	\$		\$		\$ 200,000.00
Meridia PILOT Extension				100,000.00			100,000.00
Proceeds from Asset Sales		7,788.00					7,788.00
Tax Map Preparation		1,806.00					1,806.00
Master Plan			-	25,000.00	-	(17,113.52)	7,886.48
Total	\$	209,594.00	\$	125,000.00	\$	(17,113.52)	\$ 317,480.48
	Ref.	A				A-4	A
Budget Appropriatios Cash Receipts	A-3 A-4		\$	25,000.00 100,000.00	-		
			\$	125,000.00	=		

# SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE <u>GRANT FUND</u>

Exhibit - A-24

TRANS. FROM STATE & FED. BALANCE GRANTS DEC. 31, UNAPPROP. 2016	\$ 6,489.48 27,290.00 50,000.00 250,000.00 4,030.14 29,046.00 - - 1,678.72	\$ 1,678.72 \$ 616,855.62
COLLECTED 2016	3,450.00 5,000.00 29,772.70 5,801.42 19,819.61 7,838.98 10,271.70 6,600.00	88,554.41 \$
2016 BUDGET REVENUE REALIZED	\$,450.00 5,000.00 29,772.70 5,801.42 19,819.61 9,517.70 10,271.70 6,600.00	90,233.13 \$
$\begin{array}{c} \textbf{BALANCE} \\ \textbf{DEC. 31,} \\ \hline 2015 \end{array}$	\$ 6,489.48 \$ 27,290.00 50,000.00 250,000.00 4,030.14 29,046.00	\$ 616,855.62 \$
GRANTS	Business Stimulus Fund Transportation Enhancement Grant-Main St Transportation Enhancement Grant-West Maple St. Transportation Grant-Train Station Transportation Grant-Train Station EDIP-West Main St. EDIP-Downtown Improvements Drive Sober or Get Pulled Over Somerset County Youth Services Grant Drunk Driving Enforcement Act Alcohol Ed. & Rehab. Clean Communities Program Body Armor Fund Recycling Tonnage Grant Safe Passage Grant	

V

A-26

A-27

A-2,A-25

Ą

Ref.

SCHEDULE OF STATE AND FEDERAL GRANTS APPROPRIATED

GRANT FUND

	BAL DE	ALANCE DEC. 31 <u>2015</u>	TRANSF. FROM 2016 BUDGET	RESERVE FOR ENCUMB. <u>2015</u>	PAID OR CHARGED	RESERVE FOR ENCUMB. 2016	BALANCE DEC. 31 <u>2016</u>
Drunk Driving Enforcement Fund	\$ 12	2,974.49 \$	29,772.70 \$	69	1,093.30	& &	41,653.89
Alcohol Education and Rehabilitation		1,410.96	5,801.42		1,000.00		6,212.38
U.S. Dept. of Justice - COPS Technology Grant		50.00					50.00
Clean Communities Program	19	9,238.50	19,819.61		39,058.11		1
Body Armor Fund		•	9,517.70			5,734.80	3,782.90
Recycling Tonnage Grant	5	5,649.06	10,271.70		5,649.06		10,271.70
Somerst Cty Youth Athletic Grant	15	5,245.90					15,245.90
Emergenncy Mgmt Grant	3	3,194.62					3,194.62
Domestic Violence	4	4,422.64					4,422.64
Somerst Cty Youth Services Grant	23	23,500.00	5,000.00		28,500.00		1
Public Works Grant-Match	205	205,180.63		5,425.01	85,771.98	1,260.00	123,573.66
Safe Corridors Program	9	6,570.41	6,600.00		2,950.00		10,220.41
Business Stimulus Fund-2010	2	2,023.00					2,023.00
Business Stimulus Fund-2011	4	4,505.00					4,505.00
EDIP-West Main Street	13	3,225.69					13,225.69
Transportation Enhancement-Train Station	250	250,000.00					250,000.00
Transportation Enhancement-Train Station	250	250,000.00					250,000.00
Downtown Improvements-Somerset Cty. EDIP	61	61,792.85					61,792.85
Drive Sober or Get Pulled Over	4	4,900.00	3,450.00		8,200.00		150.00
CERT Trailer Uplift Grant		700.00					700.00
	\$ 884	884,583.75 \$	90,233.13 \$	5,425.01 \$	172,222.45	\$ 6,994.80 \$	801,024.64
Ref.	·	Ą	A-3,A-24	A	A-27	A	A

# SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS $\underline{\textbf{UNAPPROPRIATED}}$

	BALANCE DEC. 31 <u>2015</u>	GRANTS RECEIVED <u>2016</u>	APPROP. IN 2016 BUDGET	BALANCE DEC 31 <u>2016</u>
Body Armor Replacement Fund \$	1,678.72 \$	5	\$ 1,678.72	\$ -
Safe Passage Grant		80.00	·	80.00
Somerset County Youth Services Grant		1,000.00		1,000.00
Somerset County Youth Athletic Grant		5,000.00		5,000.00
Drive Sober or Get Pulled Over		1,550.00		1,550.00
Total \$	1,678.72	7,630.00	\$ <u>1,678.72</u>	\$7,630.00
	A	A-27	A-25	A

Exhibit - A-27

### SCHEDULE OF INTERFUND LOANS RECEIVABLE GRANT FUND

	REF.		
Balance - December 31, 2015	A	\$	274,831.86
Increased by:			
Grant Receipts Deposited to Current Fund:			
Grants Receivable	A-24	88,554.41	
Unappropriated Grants	A-26	7,630.00	
		******	96,184.41
			371,016.27
Decreased by:			
Grant Expenditures Paid by Current Fund	A-25	_	172,222.45
Balance - December 31, 2016	A	-	198,793.82

### **Trust Fund**

ANALYSIS OF ASSESSMENT TRUST CASH AND INVESTMENTS

BALANCE DEC. 31, 2016	16,553.30 (3,641.64) 2,254.06 174.33 445.74	15,785.79	B, B-5
DISBURSEMENTS MISCELLANEOUS	37.84	37.84 \$	B-5
RECEIPTS ASSESSMENTS AND LIENS	37.73	37.73	B-5
BALANCE DEC. 31, 2015	\$ 16,553.30 \$ (3,641.64) 2,254.06 174.44 445.74	\$ 15,785.90 \$	B, B-5
	Fund Balance Assessments Receivable Overpayments Due Current Fund Reserve for Assessments	Total	Ref.

() Denotes Deficit or Deduction

SCHEDULE OF ASSESSMENTS RECEIVABLE

ASSESSMENT TRUST FUND

BALANCE PLEDGED TO	RESERVE	\$ 445.74		1	\$ 445.74
BALANCE PLEDGED GENERAL	CAPITAL FUND	1	2,551.02	644.88	3,195.90 \$ 445.74
	<u> 2015 &amp; 2016</u>	\$ 445.74 \$	2,551.02	644.88	\$ 3,641.64
E E	DUE DATES	11/13/00-09	04/13/01-10	06/01/03-12	"
CONFIRMATION	DAIE	09/12/00	02/13/01	04/08/03	
IMPROVEMENT		Curbs, Sidewalks & Driveways-Fairview Ave.	Reconstruction of Winsor	Reconstruction of Cherry Street	Total
ORD		98-21	99-19	01-21	

В

Ref.

# SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS $\underline{ \text{ASSESSMENT TRUST FUND} }$

ORD. <u>NO.</u>	IMPROVEMENT DESCRIPTION	LANCE C. 31,2015	LANCE 2. 31,2016
	Assessments:		
98-21	Curbs, Sidewalks & Driveways-Fairview Ave.	\$ 445.74	\$ 445.74
	Total	\$ 445.74	\$ 445.74
	Ref.	В	В

# TRUST FUNDS SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/15	Ca <u>Receipts</u>	sh <u>Disbursements</u>	Adjustments	Balance <u>12/31/16</u>
Assessment Trust:					
Assessments Receivable	\$ (3,641.64)			\$	(3,641.64
Overpayments	2,254.06			Ψ	2,254.06
Due to Current Fund	174.44	37.73	37.84		174.33
Reserve for Assessments Receivable	445.74	07.70	27.01		445.74
Fund Balance	16,553.30				16,553.30
Total	15,785.90	37.73	37.84		15,785.79
Animal Control:					
Accounts Payable	8,644.50			0.644.50	
Interfund Loan - Current Fund	10.82	20,034.36	20,043.02	8,644.50	- 2.16
Due NJ - State License Fees	10.02	579.60	20,043.02 579.60		2.16
Animal Control Reserves/(Deficit)	(6,272.60)	44,445.50	35,926.27	(8,644.50)	10,891.13
Total	2,382.72	65,059.46	56,548.89	-	10,893.29
04 - 7 - 4 - 1					
Other Trust Funds:	(10 = 1 = 0 = 0)				
Due (from)/to Current Fund	(495,152.23)	1,388,734.28	850,356.07		43,225.98
Accounts Payable	2,617.21				2,617.21
Due (from)/to General Capital Miscellaneous Reserves:	2,500.00		2,500.00		-
	(20, 222, 47)	22 222 17			
Accts. Receivable - Police Outside Duty POAA	(22,333.47)	22,333.47			-
Public Defender	8,123.23	724.00	899.99		7,947.24
Due St. of NJ:	4,871.00	12,476.00	11,850.00	(1,050.00)	4,447.00
	2 204 00	# CCO 00			
DCA State Training Fees	2,304.00	5,660.00	6,767.00		1,197.00
Marriage/Civil Union Licenses Fire Department Penalties (Dedicated)	700.00	3,150.00	3,275.00		575.00
Riverfest Donations	4,567.32	1,350.00	3,267.32		2,650.00
Police Outside Employment	2,540.72	102 450 10	150 000 15		2,540.72
Police Donations	3,336.68	183,450.10	178,803.15	257.18	8,240.81
Street Opening Permits	19,099.25	24,488.57	14,608.46	1,000.00	29,979.36
Reserve for Escrow Deposits	6,751.00	4,163.00	1,360.00		9,554.00
Reserve for Unemployment	10,030.00				10,030.00
Shade Tree Commission	134.47	(05.00	1 550 00		134.47
RV Sewer Rehab Review	2,062.50	605.00	1,770.00	1,575.00	2,472.50
Housing/Property Maintenance	801.45				801.45
Penalties	100,236.88	52,425.00	36,253.86	(5,592.31)	110 015 71
UCC Inspections-Chase	1,356.25	32,123.00	30,233.00	(3,392.31)	110,815.71
Billian Trust	2,007.02	40,000.00			1,356.25
OEM Donation	5,794.24	10,000.00			42,007.02 5,794.24
Flood Donation	20,425.48				•
Advanced Surety Bond	3,850.00				20,425.48 3,850.00
Pfizer Review	7,794.50				•
Downtown Meredia Manager	-,,,,,,,,,,	30,000.00	30,000.00		7,794.50
UCC Inspections-Meridia	(2,485.01)	2,557.13	72.12		0.00
UCC-Queensgate	34.77	15,000.00	11,721.79		
Public Assistance	2,653.63	10,000.00	11,121.17		3,312.98
Outside Lien Redemptions	(1,526.45)	539,549.82	536,738.72		2,653.63
Tax Lien Premiums	723,300.00	399,900.00	509,700.00		1,284.65
Police Forfeiture	9,482.43	959.49	5,272.00		613,500.00 5,169.92
		- 84 -			Page 1 of 2

## TRUST FUNDS SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance <u>12/31/15</u>	Cas <u>Receipts</u>	sh <u>Disbursements</u>	Adjustments	Balance 12/31/16
Recreation Commission	172,103.38	136,884.82	105,296.89	(2,100.00)	201,591.31
American Legion Trust	70.63	,	,	(=,====)	70.63
Developer's Deposits	290,504.08		82,324.51		208,179.57
Housing Rehabilitation	582,917.94	204,959.81	4,220.80		783,656.95
Payroll Deductions Payable	32,816.84		31,303.92		1,512.92
Reserve for Redevelopment -			ŕ		-,
Media Property	3,917.22	4,000.00	9,693,97		(1,776.75)
Meridia II 1-11 E Main	5,561.48	5,000.00	9,454.81	(38.50)	1,068.17
Meridia Downtown Hospitality	8,085.23		9,633.01	, ,	(1,547.78)
Reynolds Asset Mgmt	9,528.10		5,902.00	(260.25)	3,365.85
Queensgate Sewer Obligation	10,725.10		10,725.10	(=====)	•
MERCCREM-BB Hotel	5,000.00	10,000.00	11,143.00		3,857.00
Flood Relief	4,100.12		,		4,100.12
Bound Brook Land Development	•	5,000.00	2,668.89	(63.50)	2,267.61
Queensgate Storage Meridia	<u>-</u>	2,500.00	391.20	(*****)	2,108.80
Police Body Armor Fund	2,145.00				2,145.00
Reserve for Encumbrances -					_,
General Trust	-			6,272.38	6,272.38
Newsletter	627.63			- ,	627.63
l'otal	1,553,979.62	3,095,870.49	2,487,973.58	-	2,161,876.53
Fotal	\$ 1,572,148.24 <b>\$</b>	3,160,967.68	\$ 2,544,560.31	s - s	2,188,555.61
Ref.	В				В

- 85 -

**General Capital Fund** 

### SCHEDULE OF GENERAL CAPITAL FUND CASH <u>AND INVESTMENTS - TREASURER</u>

	REF.		
Balance - December 31, 2015	C		\$ 1,204,748.58
Increased by Receipts:			
Premium on Bonds & Bond Anticipation Notes	C-1	219,653.26	
Grants Receivable	C-4	240,000.00	
Deferred Charges to Future Taxation - Unfunded	C-7	107,120.99	
Serial Bonds	C-7	14,577,000.00	
Interfund Loans	C-8	1,401,393.22	
Bond Anticipation Notes Issued	C-11	2,419,127.00	
Capital Improvement Fund Appropriation	C-13	25,000.00	
			 18,989,294.47
			20,194,043.05
Decreased by Disbursements:			20,194,043.05
Decreased by Disbursements: Interfund Loans	C-8	1.294.79	20,194,043.05
Interfund Loans	C-8 C-11	1,294.79 14.401.000.00	20,194,043.05
· · · · · · · · · · · · · · · · · · ·	C-8 C-11 C-12	1,294.79 14,401,000.00 5,357,909.59	20,194,043.05
Interfund Loans Bond Anticipation Notes Redeemed	C-11	14,401,000.00	 20,194,043.05

## GENERAL CAPITAL FUND ANALYSIS OF CASH AND INVESTMENTS

			BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
Fund Bala	nce		\$ 527,255.05 \$	307,601.79
Due Curre			(80.05)	(1,397,678.48)
Due Other	Trust Fund		()	(2,500.00)
State & Fe	deral Grants Receivable		(588,085.50)	(577,085.50)
	r Encumbrances		58,887.46	77,885.33
	provement Fund		66,824.74	50,524.74
	Developer Contributions		(200,000.00)	(200,000.00)
Excess No	te Proceeds		-	2,234,869.09
Improvem	ent Authorizations:			
90-8	Filter for Codrington Park Swimming Pool		_	(34,904.00)
90-13	Acquisition of Vehicles and Various Public Improvements		•	(37,100.00)
91-7	Reconstruction of Second Avenue		•	(22,731.50)
94-15	Acquisition of Buildings		-	(5.00)
94-16	Various Acquisitions and Improvements		•	(36.00)
94-23	Acquisition of Fire Equipment		=	(25.28)
95-3	Improvements to Sanitary Sewer System		-	(75.00)
96-5 97-7	Various Public Improvements		•	(70.00)
97-7 98-8	Reconstruction of Longwood Avenue		-	(10,222.68)
9 <b>6-8</b> 99-3	Various Public Improvements Various Public Improvements		•	(250.00)
99-19	Reconstruction of Winsor Street		-	(40.00)
00-12	Various Public Improvements		<u>.</u>	(20.69) (713.00)
01-1	Reconstruction of Chestnut Street		<u>.</u>	(164.84)
	Various Public Improvements		•	(58.00)
01-14	Various Public Improvements		_	(50.00)
01-17	Various Public Improvements		-	(84.00)
02-07	Various Public Improvements		2,000.00	1,500.00
05-19	Various Improvements to Public Library		,	15,578.30
06-10	Acquisition of Lighting - Tea Street Ballfield		(131,755.00)	(131,755.00)
06-18	Various Improvements for Sanitary - Talmadge & Vosseller			(71.00)
07-13	Improvements to Highland Place		(36,576.51)	(36,576.51)
08-18	Various Public Improvements		(0.96)	
09-02	Various Public Improvements		(0.34)	5,600.34
09-05	Improvements to Livingston Street		(25,941.14)	(25,941.14)
09-06	Improvement of Watchung Rd./Demolition			
00.00	of Public Works Building		3.00	3.00
09-09	Improvement of Train Station/Replacement			10.07/.10
09-20	of Signs			12,374.12
10-12	Acquisition of Two Fire Engine Trucks Improvements to Church Street		(10,000.00)	4,763.49
10-12	Rehabilitation of Sanitary Sewers		6,166.85	(10,000.00) 8,253.27
11-03	Road Improvements 2010 Program		(0.84)	6,182.05
11-08	Purch. Of Prop. Union Ave.		399,848.58	405,989.26
11-16	2011 Road Program		(0.79)	5,667.60
12-13	Various Public Improvements		61,082.64	72,325.37
12-14	Various Improvements - Hurricane Irene		(73,332.00)	(73,332.00)
12-19	Various Road Improvements		18,495.83	32,651.22
12-20	Repair of Church Street Culvert		(22,500.00)	(22,500.00)
13-09	Repair of Church Street Culvert		(135,494.88)	(135,494.88)
13-15	Various Road Improvements		322,529.99	327,780.72
14-10	Repair of Recreation Bldg & Acquis. Of Equip.		2,968.65	2,968.65
14-11	Various Public Improvements		(202,747.65)	149,213.10
15-08	Various Improvements to Train Station		185,870.68	199,582.44
15-09 16-02	Acquis. Of Property Road Reconstruction - Thompson Ave		2,919.20	2,919.20
16-02	Sewer Repair & Rehab		137,247.39	
10-03	Sewei Repail & Renau		68,254.27	
	Total	C, C-2	\$\$33,838.67 \$	1,204,748.58

### SCHEDULE OF GRANTS RECEIVABLE

Ord. <u>No.</u>	Capital Project/Program	Di	BALANCE ECEMBER 31 2015	1,	INCREASES	DECREASES	BALANCE DECEMBER 31, 2016
	East Main Street Streetscape Project Improvements to Church Street	\$	265,950.00 56,310.55	\$		\$	\$ 265,950.00
11-16	Various Road Improvements		14.824.95				56,310.55 14,824.95
13-15	Various Road Improvements		50,000.00			50,000.00	14,024.93
14-11	Various Road Improvements		190,000.00			190,000.00	-
16-02	Road Reconstruction - Thompson Ave				175,000.00		175,000.00
16-03	Sewer Repair & Rehab (CDBG)	_			76,000.00		76,000.00
	Total	\$_	577,085.50	\$	251,000.00	\$ 240,000.00	\$ 588,085.50
	Ref.		C		C-12	C-2	С

Exhibit - C-5

### SCHEDULE OF DEVELOPER CONTRIBUTIONS RECEIVABLE

Ord. <u>No.</u>	Capital Project/Program	BALANCE DECEMBER 31, 2015	INCREASES	DECREASES	BALANCE DECEMBER 31, 2016
15-08	Various Improvements to Train Station	200,000.00 \$	\$	\$	200,000.00
	Total	200,000.00 \$	\$	\$	200,000.00
	Ref.	С			C

### SCHEDULE OF DEFERRED CHARGES - FUNDED

	Ref.	TOTAL	SERIAL BONDS	INFRASTRUCTURE LOANS
Balance - December 31, 2015	C	\$ 7,293,370.06	\$ 7,200,000.00	\$ 93,370.06
Increased by: Bonds/Loans Issued	C-9	14,577,000.00	14,577,000.00	-
		21,870,370.06	21,777,000.00	93,370.06
Decreased by: Serial Bonds & Loans Paid From Budget Appropriation Refunding Bonds Defeased	C-9,C-10 C-9	838,065.71 5,147,000.00	828,000.00 5,147,000.00	10,065.71
Balance - December 31, 2016	C	\$ 15,885,304.35	\$ 15,802,000.00	\$ 83,304.35

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

			<b>)</b>	GENERAL CATHAL FUNI	IAL FOND		'		ANALYSIS OF BALANCE DEC. 31, 2016	
ORD.	D. IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, <u>2015</u>	2016 AUTHORI- ZATIONS	LOANS/ BONDS ISSUED	BUDGET APPROP.	IMPROV. AUTHOR. CANCELLED	BALANCE DEC. 31, 2016	BOND ANTIC. NOTES	EXPENDED	UNEXPEND. BAL. OF IMPROV. AUTHOR.
8-06	,	34,904.00 \$		€4	34,904.00	€9	€9		€9	
90-13	Æ									
		37,100.00			37,100.00					
91-7		22,731.50			22,731.50					
94-15	15 Acquisition of Buildings	5.00			5.00					
94-16		36.00			36.00					
94-23	23 Acquisition of Fire Equipment	25.28			25.28					
95-3	3 Improvements to Sanitary Sewer System	75.00			75.00					
5-96	5 Various Public Improvements	70.00			70.00					
7-76	7 Reconstruction of Longwood Avenue	10,222.68			10,222.68					
8-86	8 Various Public Improvements	250.00			250.00					
99-3	3 Various Public Improvements	40.00			40.00					
99-19		20.69			20.69					
00-12	2 Various Public Improvements	713.00			713.00					
01-1	1 Reconstruction of Chestnut Street	164.84			164.84					
01-11/0	01-11/02-15 Various Public Improvements	28.00			58.00					
01-14	,	20.00			50.00					
01-17	7 Various Public Improvements	84.00			84.00					
02-07		200.00			500.00					
01-90	⋖						:			
		131,755.00					131,755.00		131,755.00	
81-90	>	5			00 17					
07 13	2 Immensionants to Highland Dloss	76.57			00.17		36 576 51		18 878 81	
00-13		1 028 060 06		1 029 060 00			10.075,05		10.070,00	
1-00		06.606,000,1		1,036,707.00			0.90		0.50	
09-05		1,888,934.34		1,888,934.00			0.34		0.34	:
09-02	15 Improvements to Livingston Street	34,441.14					34,441.14		25,941.14	8,500.00
09-50	.0 Acquisition of Two Fire Engine Trucks	619,526.00		619,526.00						
10-12	2 Improvements to Church Street	10,000.00					10,000.00		10,000.00	
10-23	3 Rehabilitation of Sanitary Sewers	181,364.98		181,364.00			0.98			0.98
11-02	_	332,500.00		332,500.00						
11-03		1,604,768.84		1,604,768.00			0.84		0.84	
11-08		427,500.00		427,500.00						
11-16	6 2011 Road Program	1,322,998.79		1,322,998.00			0.79		0.79	

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

General Improvements         General Improvements           12-13         Various Public Improvements         920,000.00           12-14         Various Improvements - Hurricane Irene         73,332.00           12-19         Various Road Improvements         1,272,379.87           12-20         Repair of Church Street Culvert         237,500.00           13-09         Repair of Church Street Culvert         213,750.00           13-15         Various Road Improvements         1,634,568.00           14-11         Various Public Improvements         1,808,000.00           15-08         Various Improvements to Train Station         450,000.00           15-09         Acquis. Of Property         66,665.00           16-02         Road Reconstruction - Thompson Ave         389,000.00	73,332.00 77,379.87 22,500.00 213,750.00 ,808,000.00 450,000.00 1,300,000.00 450,000.00 389,000.00	73,332.00 22,500.00 135,494.88 202,747.65	77,379.87 78,255.12 515,000.00 305,252.35 450,000.00 66,665.00
5,800,000.00 4,830,000.00 970,000.00			

Total

C

C-12

C-2

C-2

C- 12

ပ

Ref

# GENERAL CAPITAL FUND SCHEDULE OF INTERFUNDS

	_	BALANCE DECEMBER 31 2015		INCREASES		DECREASES		BALANCE DECEMBER 31 2016
Interfund Loand Due From or (7	Го):							
Trust Other Fund	\$	2,500.00	\$		\$	2,500.00	\$	-
Current Fund	_	1,397,678.48		1,294.79		1,398,893.22		80.05
Total	\$_	1,400,178.48	\$_	1,294.79	\$_	1,401,393.22	_\$_	80.05
Ref.		C		C-2		C-2		C

# SCHEDULE OF GENERAL SERIAL BONDS

BALANCE DEC. 31, 2016		1,225,000.00	9,747,000.00	4,830,000.00	\$ 15,802,000.00	C	
DECREASE 1	328,000.00 \$	5,647,000.00			\$ 5,975,000.00 \$ 1	C-6	828,000.00 5,147,000.00
INCREASE	<b>↔</b>		9,747,000.00	4,830,000.00	= 14,577,000.00 \$	9 <del>-</del> 2	٠ <u>٠</u>
BALANCE DEC. 31, 2015	\$ 328,000.00	6,872,000.00			\$ 7,200,000.00 \$	O O	
INTEREST <u>RATE</u>	4.625%	4.000% 4.000% 4.000% 4.000%	2.000% 3.000% 4.000% 4.000% 4.000% 4.000% 2.000% 2.125% 2.250% 2.375% 3.000%	4.000% 4.000% 4.000% 4.000%			
MATURITIES OF BONDS OUTSTANDING - DEC. 31,2016 DATE AMOUNT		\$ 600,000.00 625,000.00 650,000.00 647,000.00	325,000.00 350,000.00 380,000.00 420,000.00 447,000.00 500,000.00 525,000.00 550,000.00 650,000.00 650,000.00 650,000.00	590,000.00 615,000.00 610,000.00 605,000.00		Ref.	Paid by Budget Refunded
MATURITIE <u>OUTSTANDING</u> <u>DATE</u>		02/15/17 2/15/18-20 2/15/21-25 02/15/26	02/01/17 02/01/18 02/01/19 02/01/21 02/01/22 02/01/23 02/01/24 02/01/25 02/01/26 02/01/26 02/01/26 02/01/27 02/01/28 02/01/29	2/15/19-20 02/15/21 2/15/22-24 02/15/25			
ORIGINAL <u>ISSUE</u>		\$ 9,672,000.00	9,747,000.00	4,830,000.00			
DATE OF <u>ISSUE</u>	07/15/01	02/15/08	04/21/16	09/15/16			
ISSUE	General Improvement	General Improvement	General Improvement	General Improvement Refunding			

\$ 5,975,000.00

Exhibit - C-10

### SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

	REF.	
Balance - December 31, 2015	С	\$ 93,370.06
Decreased by: Paid by Budget Appropriation	C-6	10,065.71
Balance - December 31, 2016	C	\$ 83,304.35

Maturity Schedule-Loans Outstanding December 31, 2016:

Year		Trust <u>Loan</u>	Fund <u>Loan</u>	<u>Total</u>
2017	\$	2,623.27 \$	7,501.42 \$	10,124.69
2018		2,691.21	7,501.42	10,192.63
2019		2,765.49	7,501.42	10,266.91
2020		2,847.62	7,501.42	10,349.04
2021		2,937.61	7,501.42	10,439.03
2022		3,034.26	7,501.42	10,535.68
2023		3,139.85	7,501.42	10,641.27
2024	effective in the second	3,253.51	7,501.59	10,755.10
	\$	23,292.82 \$	60,011.53 \$	83,304.35

# SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

TOTAL TANK	BALAINCE DEC. 31, 2016	9	9			1	• •				•	•	00.20111	-	\$ 2,419,127.00	ŧ
	DECREASED	\$ 130325600	7 405 650 00	610 526 00	730,000,00	332 500 00	1 760 000 00	427 500 00	2 483 000 00	92000.000	1 119 568 00	715,306.00	1 195 000 00	1,300,000.00	\$ 14,401,000.00	ć
	INCREASED												1 119 127 00	1,300,000.00	\$ 2,419,127.00	ć
RALANCE	DEC. 31, 2015	\$ 1.303.256.00	2,495,650,00	619 526 00	230.000.00	332,500.00	1,760,000.00	427,500.00	2.483 000 00	920,000,00	1 119 568 00	215,000,00	1 195 000 00	1,300,000.00	\$ 14,401,000.00	ζ
INTEREST	RATE	0.62%	0.62%	0.62%	1.50%	0.62%	1.50%	0.62%	0.62%	0.62%	0.62%	1 50%	2.00%	2.00%	. <b>.</b>	Dof
DATEOF	MATURITY	04/22/16	04/22/16	04/22/16	04/22/16	04/22/16	04/22/16	04/22/16	04/22/16	04/22/16	04/22/16	04/22/16	04/21/17	04/21/17		
DATEOF	ISSUE	04/22/15	04/22/15	04/22/15	12/18/15	04/22/15	12/18/15	04/22/15	04/22/15	04/22/15	04/22/15	12/18/15	04/21/16	04/21/16		
AL ISSUE	AMOUNT	\$1,400,000.00	2,800,000.00	750,000.00	230,000.00	332,500.00	1,760,000.00	427,500.00	2,483,000.00	920,000.00	1,119,568.00	215,000,00	1,195,000.00	1,300,000.00		
ORIGINAL IS	DATE	06/08/10	06/08/11	06/08/11	12/19/13	04/23/13	12/19/13	04/23/13	04/23/13	04/23/13	04/23/14	12/19/13	12/19/13	12/18/15		
	PURPOSE	Various Public Improvements	Various Public Improvements	Acquisition of Two Fire Engines	Rehabilitation of Sanitary Sewers	Constr. Of Recreation Facility	Road Improvements 2010 Program	Purch. Of Prop. Union Ave.	2011 Road Program	Various Public Improvements	Various Road Improvements	Repair of Church Street Culvert	Various Road Improvements	Various Public Improvements	Total	
ORD.	NUMBER	08-18	09-05	09-50	10-23	11-02	11-03	11-08	11-16	12-13	12-19	12-20	13-15	14-11		

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

BALANCE DECEMBER 31, 2016 FUNDED UNFUNDED		\$ 00 000 6	Z,000.00 \$		00 005 8	00.000.00	3.00	20.0			8 166 85		300 848 58	77,040.30	61 082 64	18 495 83 77 379 87		837 579 99	2 968 65	305 252 35		185.870.68 450.000.00		ς.		00,234.27	884,857.09 \$ 2,377,883.31	၁	
CANCEL		s	9										ř	'n								81		13	,	970,000.00	970,000.00 \$	C-7	
PAID OR CHARGED		¥	15 578 30	5 600 34	100000				12.374.12	4 763 49	2 085 44	6 182 05	6 140 68	5,667.60	11 242 73	14.155.39		5.250.73	17,370.65	351,960.75	1,627.22	13,711.76		37,752.61	16 445 72	4,830,000.00	1 1	C-2	
RESERVE FOR ENCUMB. 2015 2016		e.																		58,887.46							\$ 58,887.46 \$	O	
RESERVE 2015		<del>6</del> /5	•																17,370.65	58,887.46	1,627.22						\$ 77,885.33 \$	C	
2016 AUTHOR		649																						564,000.00	250 000 00	5,800,000.00	6,614,000.00		
NCE R 31, 2015 UNFUNDED		500.00		5,600.34	8,500.00					4,763.49	8,253.27	6,182.05	405 989 26	5,667.60	72,325.37	110,031.09	78,255.12	842,780.72		657,213.10		450,000.00	66,665.00				234,925.71 \$ 2,722,726.41 \$	O	
BALANCE DECEMBER 31, 2015 FUNDED UNFUND		1.500.00 \$	15,578.30				3.00		12,374.12										2,968.65			199,582.44	2,919.20				234,925.71 \$	v	
ORIGINAL AMOUNT AUTHORIZED		\$ 2,510,000.00 \$	1,000,000.00	3,362,875.00	324,000.00		485,000.00			850,000.00	348,200.00	2,327,000.00	450,000,00	2,813,700.00	1,000,000.00	1,480,425.00	225,000.00	2,000,000.00	163,000.00	2,225,000.00	18,500.00	650,000.00	70,000.00	564,000.00	250 000 00	5,800,000.00	\$	Ref.	
IMPROVEMENT DESCRIPTION	General Improvements:	Various Public Improvements	Various Improvements to Public Library	Various Public Improvements	Improvements to Livingston Street	Improvement of Watchung Rd./Demolition	of Public Works Building	Improvement of Train Station/Replacement	of Signs	Acquisition of Two Fire Engine Trucks	Rehabilitation of Sanitary Sewers	Road Improvements 2010 Program	Purch. Of Prop. Union Ave.	2011 Road Program	Various Public Improvements	Various Road Improvements	Repair of Church Street Culvert	Various Road Improvements	Repair of Recreation Bldg & Acquis. Of Equip.	Various Public Improvements	Acquis. Of Computer Equip.	Various Improvements to Train Station	Acquis. Of Property	Road Reconstruction - Thompson Ave	Imperial Parking Lot	2016 Refunding Bonds	Total		
ORD. NO.		02-07	05-19	09-05	50-60	90-60		60-60		09-50	10-23	11-03	11-08	11-16	12-13	12-19	13-09	13-15	14-10		•	15-08	•	16-02		16-13	•		
																		_											

\$ 6,614,000.00

# SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND

	REF.	
Balance - December 31, 2015	C	\$ 50,524.74
Increased by: Budget Appropriation	C - 2	25,000.00
Decreased by:		75,524.74
Funding for Improvement Authorizations	C-12	8,700.00
Balance - December 31, 2016	C	\$ 66,824.74

# SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Filter for Codrington Park Swimming Pool         \$ 34,904,00           Various Public Improvements         37,100.00           Reconstruction of Second Avenue         22,731.50           Acquisition of Buildings         500           Acquisition of Fire Equipment         25.28           Various Acquisitions and Improvements         25.28           Acquisition of Fire Equipment         75.00           Various Public Improvements         10,222.68           Various Public Improvements         250.00           Various Public Improvements         20.69           Reconstruction of Chestnut Street         164.84           Various Public Improvements         50.00           Various Public Improvements         50.00					34,904.00			v
is 37, sinue 22, sovements 22, vert System 10, eet								· •
rnue 22, rovements rovements roversents roversente 10, Avenue 10, et					37,100.00			
rovements ref					22,731.50			
rovements  ver System  Avenue  10,					5.00			
ver System Avenue 10,					36.00			•
ver System Avenue 10, et					25.28			
Avenue 10,					75.00			,
Avenue 10					70.00			•
ce ct					10 222 68			
teet ct					250.00			•
cet cet					40.00			
tee.					20.69			•
jee,					713 00			•
į					164.04			•
					58.00			•
					20.00			•
					93.00			•
					04:00			
•					200.00			
Acquisition of Ligning = 1 ea Street Ballitleid 131,735.00								131,755.00
various improvements for Sannary Talmadra & Voccaller					5			
nd Place					77.00			36 576 51
	٥	1 303 256 00	\$ 1.038.060.00			100 300 130		10.0/0,00
	•		1 809 024 00			204,200.04		0.30
		7,493,030.00	1,888,934.00			906,/15.66		0.34
improvements to Livingston Surer								34,441.14
s		619,526.00	619,526.00					1
Inprovements to Church Street								10,000.00
Rehabilitation of Sanitary Sewers		230,000.00	181,364.00			48,635.02		0.98
Const. of Recreation Facility		332,500.00	332,500.00					•
Road Improvements 2010 Program		1,760,000.00	1,604,768.00			155,231.16		0.84
Purch, Of Prop. Union Ave,		427,500.00	427,500.00					•
2011 Road Program		2,483,000.00	1,322,998.00			1,160,001.21		0.79
		920,000.00	920,000.00					•
ricane Irene								73,332.00
		1,195,000.00	1,195,000.00					77,379.87
Repair of Church Street Culvert 22,500.00		215,000.00	215,000.00					22,500.00
Repair of Church Street Culvert 213,750.00								213,750.00
Various Road Improvements \$15,000.00		1,119,568.00	441.00	1,119,127.00				515,000,00
s		1,300,000.00		1,300,000.00				508,000.00
n Station 4								450,000.00
Acquis. Of Property 66,665.00								66,665.00
Road Reconstruction - Thompson Ave	389,000.00							389,000.00
Sewer Repair & Rehab	165,300.00							165,300.00
2016 Refunding Bond	5,800,000.00		4,830,000.00				970,000.00	

Footnote C

Ref.

- 99 -

# BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

# PART IV OTHER REPORTING REQUIRED BY REGULATIONS

Length of Service Award Program (LOSAP) (Unaudited)

### **HODULIK & MORRISON, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA ROBERT S. MORRISON, CPA, RMA, PSA MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of assets, liabilities and net assets of the Borough of Bound Brook Length of Service Award Program (LOSAP) as of December 31, 2016, and the related statement of revenues, expenses and other changes in net assets for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the administration of the Borough. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Borough's management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the basis of accounting described in the Note 1.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants

Highland Park, New Jersey October 4, 2017

### BOROUGH OF BOUND BROOK COUNTY OF SOMERSET, NEW JERSEY LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

### AS AT DECEMBER 31, 2016

	·	2016
Assets Investments, at fair value	\$	474,238.87
Total Assets	\$	474,238.87
Net Assets Restricted	\$	474,238.87
Total Net Assets	\$	474,238.87

See Acompanying Notes and Independent Accountant's Review Report.

## BOROUGH OF BOUND BROOK COUNTY OF SOMERSET, NEW JERSEY LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

#### FOR THE YEARS ENDED DECEMBER 31, 2016

	2016
Restricted Net Assets	
Contributions	\$ 28,700.00
Earnings (Losses)	36,464.26
Withdrawals	(15,212.71)
Service Charges	(2,400.00)
Increase (Decrease) in Net Assets	47,551.55
Net Assets - Beginning of Year	426,687.32
Net Assets - End of Year	\$ 474,238.87

See Acompanying Notes and Independent Accountant's Review Report.

#### BOROUGH OF BOUND BROOK LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

### NOTES TO FINANCIAL STATEMENTS - UNAUDITED YEAR ENDED DECEMBER 31, 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Nature of Activities

The Borough of Bound Brook Length of Service Award Program (LOSAP) is a qualified plan under Internal Revenue Code Section 457(e) and pursuant to P.L. 1997, c.388. The Borough established the LOSAP Program for the applicable Borough nonprofit organizations during CY 2001. LOSAP provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. LOSAP shall provide for annual contribution to each eligible member that meets the criteria as provided in the LOSAP Point System. The Borough of Bound Brook sponsors LOSAP through an annual award appropriated through the municipal budget.

#### B. Basis of Presentation

The accounting policies of the Borough of Bound Brook (the "Borough"), Length of Service Award Program (LOSAP) (the "Program") conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

#### C. Description of Program

The Program was created in accordance with the Internal Revenue Code Section 457. The Program is offered to all volunteer members that meet the criteria set by the Borough, and provides for fixed annual contributions for all eligible members. The deferred compensation is not available to volunteer members until termination, retirement, death, or unforeseeable emergency. Earnings of the Program and contributions by the Borough are subject to vesting provisions of the plan and are exempt from income taxes until distribution to the participating volunteers.

The Program is offered by the Borough to the participants through the Lincoln Financial Group, Plan Administrator.

All amounts of compensation deferred under the Program, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are (until paid or made available to the volunteer or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the Program), subject only to the claims of the Borough's general creditors. Participant's rights under the Program are equal to those of general creditors of the Borough in an amount equal to the fair market value of the deferred account for each participant.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### C. Description of Program (Cont'd.)

In accordance with standards established by the Governmental Accounting standards Board, the Program balances are displayed in the Trust Fund of the Borough. The Program is exempt from federal taxation pursuant to Internal Revenue Code Section 457.

#### D. Amount of Contribution

The Borough will contribute to the plan for an active volunteer who thereafter annually attains the minimum point score as provided below shall receive an annual contribution in accordance with the plan regulations.

An active volunteer member will qualify for contribution to a LOSAP deferred account if they earn a cumulative total minimum of 100 points based on the point system below for each service year. For each service year during which a volunteer member is determined to be eligible to receive a LOSAP contribution, he/she will be credited with a year of service for purposes of vesting in accordance with this Plan. All members must be an active volunteer member in good standing throughout the year in order to be considered an eligible "qualified participant" in the Program and must be a qualified participant in the Program for five (5) years in order to be vested.

#### E. Qualifications

Each active volunteer member shall be credited with points for volunteer services provided to the applicable Borough nonprofit organization pursuant to the requirements stated in the organizing plan document.

## BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

## PART V SUPPLEMENTARY DATA

**Other Supplementary Data** 

# SOMERSERT COUNTY, NEW JERSEY BOROUGH OF BOUND BROOK

# FOR THE YEAR ENDING DECEMBER 31, 2016 COMBINED BALANCE SHEET - ALL FUNDS

8	75 75 75	212	88 10 30	90	<b>∞</b>	55	ω .c.	92	22	£ 43	2	51	25 29	53	12 82	20	35	7.7	)5
DILY TOTALS BALANCE DEC. 31,2015	6,166,307.24 426,687.32	1,193,941.12 1,340.00	749,052.86 2,170,347.83 248,686.10 15,310,708.50	13,332.60	21,706,021.48	47,986,425.05	DNLY TOTALS BALANCE DEC. 31,2015	21,694,370.06	80,272.72	29,619.43	260	162,035.51	2,234.06	3,639,416.63	2,957,652.12 2,170,347.82	15,310,708.50	772,394.85	898,741.27	47,986,425.05
MEMORANDUM ONLY TOTALS BALANCE BALANCE DEC. 31,2016 DEC. 31,2015	4,648,275.61 <b>\$</b> 474,238.87	1,204,941.12 1,090.73	731,804.29 242,276.34 224,905.35	25,000.00	20,998,134.78	28,550,667.09 \$	MEMORANDUM ONLY TOTALS BALANCE BALANCE DEC. 31,2016 DEC. 31,2015	18,304,431.35 \$	145,778.15	25,150.87	1000	180,920.71	10.214.97	3,794,123.20	3,262,740.40 242,276.34		796.916.21	1,448,001.84	28,550,667.09 \$
GENERAL CAPITAL <u>EUND</u>	433,838.67 \$	588,085.50	80.05 200,000.00		20,998,134.78	22,220,139.00 \$	GENERAL CAPITAL <u>FUND</u>	18,304,431.35 \$				58,887.46		66,824.74	3,262,740.40			527,255.05	22,220,139.00 \$
TRUST <u>FUND</u>	2,188,555.61 \$ 474,238.87		3,641.64			2,666,436.12 \$	TRUST	€9				2,617.21	2,234.00	2,601,163.34	43,402.47		445.74	16,553.30	2,666,436.12 \$
CURRENT <u>FUND</u>	2,025,881.33 \$	616,855.62 1,090.73	728,162.65 242,196.29 24,905.35	25,000.00		3,664,091.97 \$	CURRENT <u>FUND</u>	€9	145,778.15	25,150.87	\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	119,416.04	10 214 97	1,126,135.12	198,873.87		796,470,47	904,193.49	3,664,091.97 \$
	€9				·	<b>↔</b> "		<del>\$</del>											<del>6/3</del>
ASSETS	Cash Held by Agents	Accounts Receivable State & Federal Grants Receivable Due from State of New Jersey	Axes, Assessments, Liens, Sewer & Refuse Charges Interfund Loans Other Accounts Receivable General Fixed Assets	Deferred Charges to Revenue of Succeeding Years	Deferred Charges to Future Taxation: General Capital Fund		LIABILITIES, RESERVES AND FUND BALANCE	Bonds, Notes and Loans Payable	Prepaid Taxes, Assessments, Utility Charges and Licenses	Tax, Assessment, Lien, License and Utility Charge Overpayments	Reserve for Encumbrances/	Accounts Payable	Other Liabilities Special District Tax Payable	Amts. Pledged to Specific Purposes	Improvement Authorizations Interfund Loans	Investments in General Fixed Assets	Reserve for Certain Assets Acquired or Receivables & Inventories	Fund Balance	

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

Revenue and Other		Year 2010	Year 2015			
Income Realized	4	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
Fund Balance Utilized Miscellaneous - From Other Than	\$	321,179.00	1.06	\$ -		
Local Property Tax Levies	5	,223,196.61	17.18	5,335,763.59	18.42	
Collection of Delinquent Taxes and Tax Title Liens		525,297.30	1.73	491,098.41	1.70	
Collection of Current Tax Levy	24	,329,631.66	80.03	23,138,203.98	79.88	
Total Income	30	,399,304.57	100.00	28,965,065.98	100.00	
Expenditures						
Budget Expenditures:						
Municipal Purposes	12	,706,330.81	42.68	12,483,930.24	43.64	
County Taxes	2	,948,554.48	9.90	2,863,232.28	10.01	
Local School Taxes	13	,961,192.00	46.89	13,127,270.00	45.88	
Othar Charges		157,440.97	0.53	135,113.43	0.47	
Total Expenditures	29	,773,518.26	100.00	28,609,545.95	100.00	
Excess (Deficit) in Revenue		625,786.31		355,520.03		
Less: Expenditures to be Raised						
by Future Taxes		25,000.00		7,060.00		
Statutory Excess to Surplus		650,786.31		362,580.03		
Fund Balance January 1		574,586.18		212,006.15		
•	1	,225,372.49		574,586.18		
Less: Utilization as Anticipated Revenue		321,179.00				
Fund Balance December 31		904,193.49		574,586.18		

#### **COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate:	<u>\$3.386</u>	<u>\$3.311</u>	<u>\$3.428</u>
Apportionment of Tax Rate:			
Municipal	1.067	1.068	1.083
County	<u>0.405</u>	0.402	<u>0.408</u>
Local School	<u>1.914</u>	<u>1.841</u>	1.937
Assessed Valuation:			
2016	\$729,433,434.00		
2015		\$712,960,985.00	

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Somerset County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$63,750.00 for the year 2016.

\$681,010,252.00

#### COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

		CURRENTLY	
		Cash	Percentage of
Year	Tax Levy	Collections	Collection
2016	\$ 24,845,467.58	\$ 24,316,271.67	97.87%
2015	23,720,518.71	23,138,203.98	97.55%
2014	23,354,494.82	22,835,835.79	97.78%

#### **DELINQUENT TAXES AND TAX TITLE LIENS**

2014

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

Dec. 31 <u>Year</u>	Amount of x Title Liens		Amount of inquent Taxes	Total <u>Delinquent</u>	Percentage of <u>Tax Levy</u>
2015	\$ 36,562.71	\$	489,453.09	\$ 526,015.80	2.12%
2015	33,828.36		526,311.38	560,139.74	2.36%
2014	28,208.66		484,652.60	512,861.26	2.20%
		_ 1	11 _		

#### PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No Properties have been acquired, reported or recorded in CY 2016 or as at December 31, 2015 by foreclosure or deed.

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

<u>Year</u>	<b>Billings</b>	Collections
2016	\$ 1,374,598.01	\$ 1,374,642.41
2015	1,082,951.27	1,065,555.79
2014	988,179.95	872,083.29

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

<u>Year</u>	Billings	Collections		
2016	\$ 434,700.00	\$	417,780.23	
2015	450,699.16		441,779.36	
2014	430,387.50		374,357.23	

#### COMPARATIVE SCHEDULE OF FUND BALANCE

					Utilized in
			Balance		Budget of
	<u>Year</u>	<u>D</u>	ecember 31	Suc	cceeding Year
	2016	\$	904,193.49	\$	800,000.00
	2015		574,586.18		321,179.00
Current Fund	2014		212,006.15		-
	2013		398,671.38		325,000.00
	2012		237,354.79		225,000.00

#### OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2016:

		AMOUNT	
NIAME	TITLE	OF	
<u>NAME</u>	TITLE	BOND	
Robert Fazen	Mayor		
Abel Gomez	President of Council		
Vinnie Petti	Councilperson		
Philip Fiadino	Councilperson		
David Rosario	Councilperson		
John Buckley	Councilperson		
Anthony Pranzatelli	Councilperson		
Hector Herrera	Administrator		
Randy Bahr	Chief Financial Officer/Tax Collector	\$1,000,000.00	(A)
Donna Marie Godleski	Borough Clerk		
Michael Imbriaco	Tax Assessor		
Michael Jannone	Chief of Police		
Michael Fedun, Esq.	Borough Magistrate	\$1,000,000.00	(A)
Valarie Vasquez	Court Administrator	\$1,000,000.00	(A)
Judy Verrone, Esq.	Borough Attorney		

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

## BOROUGH OF BOUND BROOK SOMERSET COUNTY, NEW JERSEY

## PART VI GENERAL COMMENTS AND RECOMMENDATIONS

#### BOROUGH OF BOUND BROOK COUNTY OF SOMERSET, NEW JERSEY YEAR ENDED DECEMBER 31, 2016

#### **GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Borough of Bound Brook, County of Somerset, New Jersey, for the year ended December 31, 2016, has been completed. The General Comments are herewith set forth:

#### Scope of Audit

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

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

#### **INTERNAL CONTROL MATTERS**

In planning and performing our audit of the financial statements of Borough of Bound Brook, County of Somerset, New Jersey as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

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

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

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

#### INTERNAL CONTROL MATTERS (Cont'd.)

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

The following control deficiencies were considered to be significant deficiencies in internal control over financial reporting:

#### 2016-1 General Ledger Proofs to Subsidiary Records

The Borough maintains computerized subsidiary records for tax, sewer rents, garbage disposal fees and Borough held liens utilizing software from a third-party service provider. During 2016, the General Ledger control accounts were not always reconciled to the activity recorded in these subsidiary records on a monthly basis, subsidiary reports were not provided at year end nor reconciled, and the audit revealed that non-cash entries to record billing adjustments, cancellations, and transfers to lien status were often omitted from the general ledger record. One of the objectives of a general ledger is to provide a summarized control over subsidiary records. The absence of periodic proofs of summarized general ledger balances to the detailed balances in the subsidiary records weakens the reliability of the general ledger as a basis for financial reporting.

We recommend that reconciliations of general ledger control balances to detailed subsidiary records be performed for property tax, sewer user fees, refuse disposal fees and Borough held lien records.

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

#### Control Deficiencies:

#### Segregation of Duties - Outside Offices & Departments

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

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

#### Segregation of Duties - Finance & Tax Office

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

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

The reporting of these deficiencies does not affect our report dated October 4, 2017 on the financial statements of the Borough of Bound Brook. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

#### Other Matters

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

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

On September 28, 2015, the Local Public Contracts Law was amended, effective on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent.

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

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

Reconstruction of Tennis Courts at Codrington Park, Lawn and Grounds Maintenance, Animal Control Services, Police Vehicle, Road Reconstruction Program

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The examination of expenditures revealed aggregate payments, in excess of the bid threshold then in effect to two (2) vendors, "for the performance of work or furnishing or hiring of any material or supplies" where no resolutions awarding a contract pursuant to the statutory exceptions thereto, for the following categories of goods and services: police vehicles, computer equipment and maintenance.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5. No evidence of the inclusion of not-to-exceed amounts was noted, however, contract documents on file did include the cost data required by the CFO to certify availability of funds.

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

While not observed in excessive numbers, our tests did reveal the use of confirming orders during the period ended December 31, 2016. A confirming order is indicative of a failure to follow the state mandated encumbrance accounting process wherein a requisition is submitted and reviewed and approved by administrative and finance officials prior to the granting of authority to order goods and services. Encumbrance accounting is a key component of the controls to assure compliance with the Public Contracts and Budget laws.

While no noncompliance was noted as a result of the use of confirming orders, we reommend that the importance of adherence to encumbrance accounting be communicated to departmental officials and additional training be provided in the event of the continuing use of confirming orders.

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

#### Compliance with P.L. 2005, c.271

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

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

The Borough was unable to provide evidence of compliance with the "Pay-to-Play" statutes for twelve (12) vendors for the items tested.

We recommend that all required documentation be maintained for compliance with the "Pay-to-Play" statutes.

#### Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 5, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

#### Delinquent Taxes and Tax Title Liens

The last tax sale was held in 2016 and complete.

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

Year	Number of Liens
2016	2
2015	2
2014	2

#### **Interfund Balances**

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2016.

These interfunds, in some cases, resulted from 2016 operations. In other instances, the balances resulted from transfers based upon cash flow requirements. However. Some interfund balances remained unchanged from the prior period. As the existence of these interfund balances did not result in a material distortion of income, and they are not indicative of an inability of any fund to meet its annual cash flow requirements from its own respective cash receipts, no recommendation is made as part of this report. Interfund balances should be reviewed periodically and cleared by cash transfer whenever feasible.

#### <u>Investments</u>

The Treasurer has the idle funds of the Borough invested in interest-bearing accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2016.

The Borough did not adopt a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its funds pursuant to that plan". However, all depositories and accounts were approved, and no investments in certificates of deposit or repurchase agreements were made during the year.

Cash and investments held by the Borough were confirmed as of December 31, 2016.

#### Payment of Claims

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

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

#### Other Matters (Cont'd.)

#### Municipal Court

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

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

#### Condition of Records - Other Officials Collecting Fees

Our reviews of the records maintained for other officials collecting fees, which were designed to determine that minimum levels of internal control and accountability were met, and that cash receipts were deposited or turned over to the Borough's Treasurer's accounts within a 48-hour period as required by N.J.S.A. 40A:5-15, revealed the following:

We noted that all Outside Offices & Departments do not maintain a standardized formal cash receipt journal, do not issue duplicate receipts for all cash collections, and do not prepare and submit formalized monthly reports to the Finance Department. In addition, it is essential that the reports are reviewed and reconciled the records maintained in the Finance Department The recording of cash receipts by date of deposit does not allow for the review of the 48-hour deposit requirement.

We suggest that the Borough a standardized formal control policies and procedures for all Outside Offices & Departments that collect Borough funds.

#### **Surety Bonds**

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2016, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Tax/Utility Collector.

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

#### Condition of the Records - Office of Tax Collector

The records maintained by the Tax Collector were reviewed, and were found to be in generally good condition. We noted the following:

Our review of sewer billings and collections indicated that two facilities are billed manually and this billing data is not recorded on the computerized subsidiary accounting and reporting system. This further complicates the monthly reconciliation process to the general ledger control account that we have recommended for initiation. Manual billing should either be entered into the subsidiary records or a separate control account should be established in the general ledger.

#### Other Matters (Cont'd.)

#### Condition of the Records – Finance Office

The records maintained by the Finance Department during the period were reviewed. Our audit identified the following matters:

As previously noted, the effectiveness of the general ledger as a control over subsidiary records was weakened by the absence of monthly proof procedures and the omission of postings of necessary adjusting entries for non-cash transactions. A recommendation has previously been made within these General Comments.

At December 31, 2016, the general ledger continues to carry small overpayment balances for sewer rents and refuse disposal fees, from prior years, that are no longer supported by identifiable balances in the subsidiary records. These items should be reviewed for cancellation.

A review of the status of grant accounts indicated that there are several grants receivable and grant appropriation balances being reported for which there has been no receipt or disbursement activity for several years. In instances where receivable balances equal unspent appropriation balances, cancellation of the grant programs will have no impact on Borough finances. However, there are several receivable balances for which some unreimbursed expenditures have been recorded. These items should be reviewed and followed up with collection efforts wherever possible. Should collection efforts fail, the Borough will be required to absorb the unreimbursed expenditures through its tax supported budgets.

A test of the budget appropriations and the budget appropriations reserves was made. It was noted that a resolution to transfer appropriation reserve funds was adopted by the Council, however the transfers were never made to the system. Upon noticing that the entry was never made to the system a subsequent resolution was adopted and posted to the system.

We recommend that all transfer resolutions relating to budget appropriations and budget appropriation reserves be made to the accounting system in a timely manner.

A review of the status of amounts reported in the General Capital Fund as grants receivable indicated that balances have been carried for several years for the East Main Street Streetscape Project (\$265,950.00) and Improvements to Church Street (\$56,310.55). A review of prior audit documents suggests that all expenditures for this project were completed prior to 2011 and no moneys have been collected for at least five years. The Church Street project appears to have been completed in 2012. These projects should be reviewed with the engineers that managed them to determine if all reimbursement vouchers have been filed. Should these amounts prove uncollectible, the balances should be cancelled, with additional debt authorized or budget appropriations made to fund the cancelled grants.

It is recommended that general capital grant balances be reviewed for collectability and appropriate actions taken based upon those reviews.

#### Other Matters (Cont'd.)

#### Administration and Accounting of State & Federal Grants

During 2016, the Borough operated programs, which were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. Based upon the myriad compliance and reporting requirements for grant awards, it is essential that grant coordinators review financial reports with the CFO before filing to assure that reported expenditures of grant funds match the official financial, records of the Borough.

We suggest the Borough review its system of internal controls and various policies and procedures as they apply to the compliance requirements for State and Federal grants.

The Borough reports, and the records made available to us indicate, that no single audit requirement was in effect for CY 2016.

#### Internal Control Documentation

Statement on Auditing Standards 115 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough consider initiation of this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance. If possible, this documentation should be supplemented by a record of Borough positions and job descriptions, along with descriptions of the tasks that each position is expected to perform and a procedures manual identifying the steps to be taken in performing each task. While these initiatives are not required, the development of operating manuals, job descriptions, and formalized risk assessment policies and procedures would greatly enhance the overall control environment of the Borough.

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

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

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

#### Other Matters (Cont'd.)

#### Compliance with N.J.A.C 5:30: (Cont'd.)

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

It is recommended that the Borough comply with N.J.S.A. 5:30 - 5.6 "Accounting for Governmental Fixed Assets" issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in all respects.

It is recommended that the Borough establish a Fixed Asset Accounting System.

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

#### Compliance with Local Finance Notices

Local Finance Notice (LFN) No. 92-15 requires that the Borough prepare and file a corrective action plan in accordance with federal and state requirements. A written corrective action plan for 2015 was presented and accepted by the governing body.

#### RECOMMENDATIONS

We recommend the following:

That reconciliations of general ledger control balances to detailed subsidiary records be performed and provided for audit for property tax, sewer user fees, refuse disposal fees and Borough held lien records.

That all required documentation be maintained for compliance with the "Pay-to-Play" statutes.

That all transfer resolutions relating to budget appropriations and budget appropriation reserves be made to the accounting system in a timely manner.

That general capital grant balances be reviewed for collectability and appropriate actions taken based upon those reviews.

That the Borough follow the appropriate approval process set forth in the Local Public Contract Law and that the Borough monitor all purchases to ensure that required documentation for compliance with the requirements of P.L. 2005, c.271 is obtained.

That the Borough reestablish a Fixed Asset Accounting System.

\* \* \* \* \* \* \* \* \*

#### **ACKNOWLEDGMENT**

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

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

Very truly yours,

HODULIK & MORRISON, P.A.

Andrew G. Hodulik, CPA, RMA

No. 406