

*Report of Audit*

*on the*

*Financial Statements*

*of the*

***Borough of Fanwood***

*in the*

*County of Union*  
*New Jersey*

*for the*

*Year Ended*  
*December 31, 2017*



BOROUGH OF FANWOOD

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BOROUGH OF FANWOOD

PART I

INDEPENDENT AUDITOR'S REPORT ON  
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AND SUPPLEMENTARY SCHEDULES AND DATA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
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YEAR ENDED DECEMBER 31, 2017



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Fanwood  
County of Union  
Fanwood, New Jersey 07023

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

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Fanwood, as of December 31, 2017 and 2016, 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 of the various individual funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting prescribed by 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 misstatements, whether due to fraud or error.

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

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



## SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough of Fanwood's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Fanwood'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 regulatory financial statements.

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

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

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough of Fanwood on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough of Fanwood as of December 31, 2017, or the results of its operations and changes in fund balance for the year then ended or the revenues or expenditures for the year ended December 31, 2017.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2017, the regulatory basis statement of operations and changes in fund balance for the year then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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## **Other Matters**


### *Other Information*


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

The supplemental information and data listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and data listed in the table of contents are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the Borough of Fanwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Fanwood's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 419

June 28, 2018



# SUPLEE, CLOONEY & COMPANY

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**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Fanwood  
County of Union  
Fanwood, New Jersey 07023

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Borough of Fanwood, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated June 28, 2018. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Fanwood prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

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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 Borough of Fanwood's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## ***Compliance and Other Matters***

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

## ***Purpose of This Report***

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

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 419

June 28, 2018

CURRENT FUND

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>BALANCE DECEMBER 31, 2016</u>
Cash	A-4	\$ 4,844,168.87	\$ 2,363,355.89
Cash - Change Funds	A-6	350.00	350.00
Due from State of New Jersey-Senior Citizens Deductions	A-8	8,931.75	8,931.75
State Aid Receivable	A-5	<u>357,375.26</u>	<u>316,196.94</u>
		<u>\$ 5,210,825.88</u>	<u>\$ 2,688,834.58</u>
Receivables With Full Reserves:			
Delinquent Property Taxes Receivable	A-9	\$ 141,023.62	\$ 106,002.02
Tax Title Liens Receivable	A-10	27,314.31	26,174.95
Lien held by Municipality	A-34	27,211.38	27,211.38
Property Acquired for Taxes-Assessed Valuation	A-11	12,279.00	12,279.00
Revenue Accounts Receivable	A-12	15,855.61	13,687.31
Sewer Charges Receivable	A-29	6.64	207.26
Interfunds Receivable	A-23	15,382.15	15,542.75
Prepaid Regional School Tax	A-21	87,060.27	87,060.27
Due from County of Union - PILOT	A-35	<u>8,065.39</u>	<u>20,163.24</u>
	A	<u>\$ 334,198.37</u>	<u>\$ 308,328.18</u>
Deferred Charges:			
Emergency Appropriation 40A:4-53	A-19	\$ 60,000.00	\$ 86,000.00
Emergency Appropriation 40A:4-46	A-19	<u>                    </u>	<u>50,000.00</u>
		<u>\$ 60,000.00</u>	<u>\$ 136,000.00</u>
		<u>\$ 5,605,024.25</u>	<u>\$ 3,133,162.76</u>

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

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>BALANCE DECEMBER 31, 2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves	A-3:A-13	\$ 315,339.67	\$ 268,844.13
Encumbrances Payable	A-24	577,390.58	575,243.77
Prepaid Taxes	A-17	2,275,387.14	105,335.08
Tax Overpayments	A-18	41,873.22	57,022.31
Interfunds Payable	A-23	516.76	207.65
County Taxes Payable	A-20	12,518.25	15,514.92
School Taxes Payable	A-21		
Municipal Open Space Taxes Payable	A-37	19.55	
Reserve for:			
Due State of New Jersey:			
Marriage License Fees	A-16	325.00	100.00
State Training Fees	A-25	2,485.54	1,227.54
Burial Permits	A-27	35.00	35.00
Tax Maps	A-33	35,315.54	17,680.00
Tax Appeals	A-28	20,000.00	22,000.00
Library	A-30	5,042.04	5,042.04
Sale of Municipal Assets	A-14	125.00	125.00
COAH Legal Fees	A-38	18,170.49	
Grants - Appropriated	A-22	384,036.79	448,502.21
Grants - Unappropriated	A-15	9,019.29	1,357.50
Lawsuit	A-36		74,003.65
Fire Fines and Penalties	A-26	25.00	25.00
Snow Removal	A-31	55,009.50	60,378.14
Salary Increases	A-32	5,000.00	5,000.00
		<u>\$ 3,757,634.36</u>	<u>\$ 1,657,643.94</u>
Reserve for Receivables and Other Assets	A	334,198.37	308,328.18
Fund Balance	A-1	<u>1,513,191.52</u>	<u>1,167,190.64</u>
		<u>\$ 5,605,024.25</u>	<u>\$ 3,133,162.76</u>

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

## BOROUGH OF FANWOOD

## CURRENT FUND

STATEMENTS OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-2	\$ 750,000.00	\$ 784,200.00
Miscellaneous Revenue Anticipated	A-2	3,130,866.98	2,685,987.80
Receipts From Delinquent Taxes	A-2	106,002.02	162,169.64
Receipts From Current Taxes	A-2	32,532,901.65	31,602,498.08
Non-Budget Revenue	A-2	128,198.58	53,076.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	180,607.50	159,935.49
Interfunds Returned		160.60	33,946.45
Tax Overpayments Canceled	A-18		5,262.31
Refund of P.I.L.O.T. Revenue to County	A-35	12,097.85	
<u>TOTAL INCOME</u>		<u>\$ 36,840,835.18</u>	<u>\$ 35,487,075.77</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations Within "CAPS":			
Operating	A-3	\$ 6,670,871.28	\$ 6,624,773.35
Deferred Charges and Statutory Expenditures	A-3	835,844.35	893,475.09
Operations Excluded From "CAPS":			
Other Operations	A-3	1,176,438.92	1,122,981.27
Capital Improvement Fund	A-3	2,000.00	13,500.00
Deferred Charges	A-3	76,000.00	23,500.00
Municipal Debt Service	A-3	1,176,622.83	1,149,227.79
Regional School Tax	A-21	19,412,591.00	18,554,568.00
County Taxes	A-20	6,340,997.67	6,205,111.04
County Share of Added Taxes	A-20	10,904.23	13,900.90
Municipal Open Space Tax	A-37	12,019.55	
Interfunds Advanced			
Reserve for Tax Appeals	A-28	20,000.00	22,000.00
Refund of Prior Year Revenue	A-4	10,544.47	54,912.15
County PILOT overpayment	A-35		20,163.24
<u>TOTAL EXPENDITURES</u>		<u>\$ 35,744,834.30</u>	<u>\$ 34,698,112.83</u>
Excess in Revenue		\$ 1,096,000.88	\$ 788,962.94
Adjustment to Income Before Fund Balance:			
Expenditures Included above which are by Statute			
Deferred Charges to Budgets of Succeeding Years	A-19		150,000.00
Statutory Excess to Fund Balance		\$ 1,096,000.88	\$ 938,962.94
Fund Balance			
Balance, January 1	A	1,167,190.64	1,012,427.70
		\$ 2,263,191.52	\$ 1,951,390.64
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	750,000.00	784,200.00
Balance, December 31	A	<u>\$ 1,513,191.52</u>	<u>\$ 1,167,190.64</u>

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



BOROUGH OF FANWOOD

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	REF.	BUDGET	SPECIAL N.J.S. 40A: 4-87	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Appropriated	A-1	\$ 750,000.00		\$ 750,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-12	\$ 8,000.00		\$ 7,875.00	\$(125.00)
Other	A-12	4,000.00		5,017.00	1,017.00
Fees and Permits:					
Construction Code Official	A-12	166,000.00		285,769.00	119,769.00
Other	A-2	100,000.00		150,647.37	50,647.37
Municipal Court Fines	A-12	211,000.00		211,539.60	539.60
Interest and Costs on Taxes	A-12	39,000.00		35,950.22	\$(3,049.78)
Parking Meters & Permits	A-2	291,283.65		320,738.26	29,454.61
Interest on Investments	A-12	40,000.00		40,572.66	572.66
Energy Receipts Tax	A-12	755,288.00		755,288.00	
Recycling Tonnage Grant	A-5	8,342.00		8,342.00	
2017 County Infrastructure and Municipal Aid Grant	A-5	65,000.00		65,000.00	
UC Means Green Grant	A-5	650.00		650.00	
Body Armor Replacement Fund	A-5		1,865.87	1,865.87	
Union County Kids Green	A-5	1,356.50		1,356.50	
Union County Senior Focus Grant	A-5	25,000.00		25,000.00	
Clean Communities Program	A-5	13,294.28		13,294.28	
Green Acres Grant	A-5		62,802.58	62,802.58	
Greening Union County	A-5		571.75	571.75	
Union County Heart Grant	A-5		2,200.00	2,200.00	
Shared Services - DPW	A-12	41,000.00	12,000.00	53,140.00	140.00
Sewer Fees	A-29	60,000.00		50,300.62	\$(9,699.38)
Uniform Fire Safety Act	A-12	4,700.00		4,977.70	277.70
Verizon TV	A-12	82,446.00		82,446.65	0.65
Bulk Waste Pick Up	A-12	18,000.00		15,015.00	\$(2,985.00)
Cable T.V. Franchise Fee	A-12	31,391.00		31,139.97	\$(251.03)
Communications Tower Rental	A-12	141,280.00		144,614.51	3,334.51
Reserve for Debt Service	A-12	110,723.88		110,723.88	
Reserve for Lawsuit	A-36	74,003.65		74,003.65	
Reserve for Recycling	A-12	25,000.00		17,000.00	\$(8,000.00)
Sale of Municipal Assets	A-12	200,000.00		200,000.00	
P.I.L.O.T. Elite Phase I	A-12	160,000.00		82,776.58	\$(77,223.42)
P.I.L.O.T. Fanwood Crossing 2	A-12	48,000.00		95,254.37	47,254.37
P.I.L.O.T. Fanwood Crossing 3	A-12	12,000.00		51,828.27	39,828.27
General Capital Fund Surplus	A-12	123,165.69		123,165.69	
	A-1	\$ 2,859,924.65	\$ 79,440.20	\$ 3,130,866.98	\$ 191,502.13
Receipts From Delinquent Taxes	A-1	\$ 114,000.00		\$ 106,002.02	\$(7,997.98)
Property Tax for Support of Municipal Budget Appropriation:					
Local Tax for Municipal Purposes	A-2:A-9	\$ 6,143,966.02		\$ 6,412,601.42	268,635.40
Minimum Library Tax	A-2:A-9	392,563.78		392,563.78	
		\$ 6,536,529.80		\$ 6,805,165.20	268,635.40
<b>Budget Totals</b>		\$ 10,260,454.45	\$ 79,440.20	\$ 10,792,034.20	452,139.55
Non-Budget Revenue	A-1 ;A-2	\$		\$ 128,198.58	128,198.58
		\$ 10,260,454.45	\$ 79,440.20	\$ 10,920,232.78	580,338.13

REF.

A-3

A-3

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

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	
Allocation of Current Tax Collections:		
Collected	A-1:A-9	\$ 32,532,901.65
Allocated to:		
Schools and County Taxes		\$ 26,095,716.90
Reserve for Tax Appeals	A-1:A-28	<u>20,000.00</u>
		\$ <u>26,115,716.90</u>
Support of Municipal Budget Appropriations		\$ 6,417,184.75
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>400,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$ <u>6,817,184.75</u>
Other Licenses:		
Health Officer	A-12	\$ <u>5,017.00</u>
Other Fees and Permits:		
Health Officer	A-12	\$ 4,468.00
Police Department	A-12	122,651.50
Zoning	A-12	6,080.00
Fire Inspection	A-12	<u>17,447.87</u>
	A-2	\$ <u>150,647.37</u>
Parking Meters	A-12	\$ 330,022.84
Less: Refunds	A-4	<u>9,284.58</u>
	A-2	\$ <u>320,738.26</u>
Miscellaneous Revenue Not Anticipated:		
Senior Citizens - Administrative Fee		\$ 1,595.00
UC Tonnage Rebate		9,395.10
FEMA		79,716.73
Miscellaneous - Collector		200.00
Miscellaneous		<u>37,291.75</u>
	A-4	\$ <u>128,198.58</u>

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

BOROUGH OF FANWOOD  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED
<b>OPERATIONS WITHIN "CAPS"</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative and Executive:				
Salaries and Wages	177,500.00 \$	180,965.00 \$	180,391.98 \$	573.02 \$
Other Expenses	75,749.00	80,749.00	71,479.68	9,269.32
Office of the Mayor:				
Salaries and Wages	8,000.00	8,000.00	8,000.00	153.84
Other Expenses	1,862.00	1,862.00	1,708.16	505.38
Financial Administration:				
Salaries and Wages	125,000.00	127,825.00	127,319.62	15,329.16
Other Expenses	68,313.00	66,162.00	50,832.84	375.00
Audit	32,825.00	32,825.00	32,450.00	30.94
Assessment of Taxes:				
Salaries and Wages	19,800.00	20,195.00	20,164.06	1,844.81
Other Expenses	7,889.00	7,889.00	6,044.19	187.08
Collection of Taxes:				
Salaries and Wages	69,500.00	70,811.00	70,623.92	581.26
Other Expenses	3,210.00	3,210.00	2,628.74	11,850.00
Legal Services and Costs:				
Salaries and Wages	140,000.00	151,675.00	139,825.00	569.98
Other Expenses	25,000.00	25,489.00	24,919.02	1,031.41
Municipal Prosecutor:				
Salaries and Wages	3,000.00	3,162.36	2,130.95	3,126.66
Public Defender:				
Salaries and Wages	50,960.00	50,960.00	47,833.34	3,000.00
Other Expenses	3,000.00	3,000.00	10,638.58	4,812.42
Engineering Services and Costs:				
Architect	15,451.00	15,451.00	10,638.58	52.06
Other Expenses	21,900.00	22,337.00	22,284.94	860.00
Planning Board:				
Other Expenses	1,220.00	1,220.00	360.00	41.23
Zoning Officer	12,000.00	12,000.00	11,958.77	1,495.61
Salaries and Wages	5,000.00	5,000.00	3,504.39	489.30
Other Expenses	12,167.00	12,167.00	11,677.70	5,955.12
Credit Card Fees:				
Other Expenses	56,400.00	61,400.00	55,444.88	827.29
Environmental Commission:				
Salaries and Wages	980.00	2,647.14	2,647.14	17,009.98
Other Expenses	1,214,976.00	1,214,976.00	1,214,976.00	0.24
Shade Tree Commission:				
Other Expenses	133,370.00	133,370.00	132,542.71	5,263.96
Insurance:				
State Unemployment Compensation	182,889.00	182,889.00	165,879.02	3,127.57
Group Insurance for Employees	7,669.00	7,669.00	7,668.76	
Other Insurance Premiums	120,000.00	121,936.61	116,672.65	
Workmen's Compensation	10,150.00	10,150.00	7,022.43	
Health Benefit Waiver				
Municipal Court:				
Salaries and Wages				
Other Expenses				

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

BOROUGH OF FANWOOD  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>PUBLIC SAFETY</b>					
Fire:					
Other Expenses:					
Fire Hydrants	\$ 114,000.00	\$ 114,000.00	\$ 109,500.00	\$ 4,500.00	
Miscellaneous	47,285.00	47,285.00	46,426.83	858.17	
Fire Prevention Bureau:					
Salaries and Wages	21,400.00	21,790.00	20,271.75	1,518.25	
Other Expenses	4,297.00	4,297.00	3,585.50	711.50	
Police:					
Salaries and Wages	1,934,000.00	1,934,880.00	1,934,880.00	507.66	
Other Expenses	72,513.00	72,513.00	72,005.34		
School Crossing Guards:					
Salaries and Wages	85,000.00	78,332.86	67,007.30	11,325.56	
Dispatchers:					
Other Expenses	86,562.00	86,562.00	83,264.64	3,297.36	
Traffic Signal Maintenance:					
Other Expenses	4,900.00	4,900.00	1,627.50	3,272.50	
Emergency Management Services:					
Other Expenses	1,637.00	1,637.00	1,400.00	237.00	
Sanitation:					
Solid Waste Management Act:					
Salaries and Wages	6,800.00	6,977.84	6,537.51	440.33	
Other Expenses	150,000.28	162,000.28	154,178.19	7,822.09	
Road Repair and Maintenance:					
Salaries and Wages	571,715.00	563,717.46	563,717.46		
Other Expenses	113,092.00	118,092.00	114,575.48	3,516.52	
<b>HEALTH AND WELFARE</b>					
Board of Health:					
Salaries and Wages	12,400.00	12,930.00	12,827.40	102.60	
Other Expenses	2,161.00	2,161.00	530.96	1,630.04	
Contractual - Town of Westfield	43,511.00	43,511.00	43,511.00		
Dog Regulation:					
Other Expenses	16,343.00	16,343.00	16,343.00		
Shared Services:					
Other Expenses	2,350.00	2,350.00		2,350.00	
Snow Removal:					
Other Expenses	5,000.00	5,000.00	5,000.00		
New Jersey Public Employees Occupational and Safety Health Act:					
Other Expenses	1,000.00	1,000.00		1,000.00	

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

BOROUGH OF FAIRWOOD

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<b>OPERATIONS WITHIN "CAPS" (CONTINUED)</b>					
Right to Know Act:					
Salaries and Wages	\$ 1,000.00	\$ 1,000.00	\$	\$ 1,000.00	\$
Other Expenses	980.00	980.00		980.00	
Historic Preservation Commission:					
Other Expenses	1,000.00	1,000.00	204.48	795.52	
<b>RECREATION AND COMMUNITY SERVICES</b>					
Parks and Playgrounds:					
Salaries and Wages	23,500.00	23,833.00	23,462.31	370.69	
Other Expenses	16,170.00	16,170.00	16,147.95	22.05	
Celebration of Public Events:					
Other Expenses	16,660.00	16,660.00	12,802.76	3,857.24	
Senior Citizen:					
Salaries and Wages	6,000.00	6,000.00	6,000.00		
Other Expenses	29,000.00	29,000.00	18,041.72	10,958.28	
Communications					
Salaries and Wages	3,300.00	3,300.00	3,275.00	25.00	
Other Expenses	60,760.00	60,760.00	60,460.61	299.39	
Rescue Squad:					
Other Expenses	3,000.00	3,000.00	3,000.00		
<b>UNIFORM CONSTRUCTION CODE</b>					
Construction Official:					
Salaries and Wages	21,293.00	22,043.00	17,648.73	4,393.27	
Other Expenses	7,595.00	17,595.00	15,508.19	2,086.81	
Sub Code Officials:					
Plumbing Inspector:	9,602.00	9,794.00	9,792.96	1.04	
Salaries and Wages					
Building Inspector:	77,900.00	47,900.00	43,579.39	4,320.61	
Salaries and Wages					
Electrical Inspector:	10,236.00	10,338.50	10,205.80	132.70	
Salaries and Wages					
Fire Sub Code Official:	6,255.00	7,851.50	7,850.53	0.97	
Salaries and Wages					
<b>UNCLASSIFIED</b>					
Utilities-Other:	141,904.00	141,904.00	115,588.35	26,315.65	
Gasoline and Diesel Fuel	50,000.00	50,000.00	48,436.47	1,563.53	
Downtown Revitalization	73,500.00	73,500.00	26,491.38	47,008.62	

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

BOROUGH OF FANWOOD  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>				
Postage	\$ 13,230.00	\$ 13,230.00	\$ 10,714.66	\$ 2,515.34
Salary Adjustment	19,500.00	0.73		0.73
New Jersey Transit - Contractual	65,000.00	65,000.00	65,000.00	
Street Lighting	110,740.00	110,740.00	85,228.15	25,511.85
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>\$ 6,669,871.28</b>	<b>\$ 6,669,871.28</b>	<b>\$ 6,406,259.77</b>	<b>\$ 263,611.51</b>
<b>CONTINGENT</b>	<b>\$ 1,000.00</b>	<b>\$ 1,000.00</b>	<b>\$ 819.87</b>	<b>\$ 180.13</b>
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>\$ 6,670,871.28</b>	<b>\$ 6,670,871.28</b>	<b>\$ 6,407,079.64</b>	<b>\$ 263,791.64</b>
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL - WITHIN "CAPS"</u>				
Statutory Expenditures				
Contribution to:				
Public Employees Retirement System	214,452.46	214,452.46	214,452.46	
Social Security System	172,000.00	172,000.00	169,685.48	2,314.52
Defined Contribution Retirement Program	2,250.00	2,250.00	1,434.04	815.96
Police and Firemen's Retirement System of NJ	447,141.89	447,141.89	447,141.89	
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES MUNICIPAL-WITHIN "CAPS"</b>	<b>\$ 835,844.35</b>	<b>\$ 835,844.35</b>	<b>\$ 832,713.87</b>	<b>\$ 3,130.48</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>\$ 7,506,715.63</b>	<b>\$ 7,506,715.63</b>	<b>\$ 7,239,793.51</b>	<b>\$ 266,922.12</b>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>				
Plantfield Area Regional Sewerage Authority				
Maintenance of Free Public Library (N.J.S.A. 40:54)	\$ 508,181.66	\$ 508,181.66	\$ 508,181.42	\$ 0.24
Length of Service Award Program (L.O.S.A.P.)	392,563.78	392,563.78	359,147.33	33,416.45
Statutory Expenditures:	24,358.00	24,358.00	24,557.14	0.86
Intercolor Agreements:				
Borough of Garwood:				
Road Repair and Maintenance				
DPW Salaries and Wages	41,000.00	41,000.00	41,000.00	

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES					
Clean Communities Program (N.J.S.A. 40A:4-87 \$13,294.28)	\$ 13,294.28	\$ 13,294.28	\$ 13,294.28	\$	
Recycling Tonnage Grant (N.J.S.A. 40A:4-87 \$11,289.93)	8,342.00	8,342.00	8,342.00		
Municipal Alliance on Alcoholism and Drug Abuse	2,052.50	2,052.50	2,052.50		
Body Armor Replacement Fund (N.J.S.A. 40A:4-87 \$1,865.67)	1,865.87	1,865.87	1,865.87		
Union County Heart Grant (N.J.S.A. 40A:4-87 \$2,200.00)	2,200.00	2,200.00	2,200.00		
Garwood Shared Services - DPW Director (N.J.S.A. 40A:4-87 (\$12,000.00))	12,000.00	12,000.00	12,000.00		
Union County Senior Focus (N.J.S.A. 40A:4-87 \$25,000.00)	25,000.00	25,000.00	25,000.00		
Union County Weans Green (N.J.S.A. 40A:4-87 \$650.00)	650.00	650.00	650.00		
Union County Kids Green (N.J.S.A. 40A:4-87 \$1,356.50)	1,356.50	1,356.50	1,356.50		
County Infrastructure and Municipal Aid Grant	65,000.00	65,000.00	65,000.00		
Greening Union County (N.J.S.A. 40A:4-87 \$571.75)	571.75	571.75	571.75		
NJ Green Acres Program (match in Capital) (N.J.S.A. 40A:4-87 \$62,802.58)	62,802.58	62,802.58	62,802.58		
Matching Funds for Grants	15,000.00	15,000.00		15,000.00	
<b>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</b>	<b>\$ 1,096,998.72</b>	<b>\$ 1,176,438.92</b>	<b>\$ 1,128,021.37</b>	<b>\$ 48,417.55</b>	<b>\$</b>
CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$	
<b>TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</b>	<b>\$ 2,000.00</b>	<b>\$ 2,000.00</b>	<b>\$ 2,000.00</b>	<b>\$</b>	<b>\$</b>
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 715,000.00	\$ 715,000.00	\$ 715,000.00	\$	\$ 50.03
Interest on Bonds	384,463.00	384,463.00	384,412.97		2,067.24
Loan Repayments for Principal and Interest (Environmental Infrastructure Loan)	79,277.10	79,277.10	77,209.86		
<b>TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>	<b>\$ 1,178,740.10</b>	<b>\$ 1,178,740.10</b>	<b>\$ 1,176,622.83</b>	<b>\$</b>	<b>\$ 2,117.27</b>

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

BOROUGH OF FANWOOD  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
\$	50,000.00	50,000.00	50,000.00	\$	
Special Emergency Authorizations - 5 years (40A.4-55)	26,000.00	26,000.00	26,000.00	\$	
TOTAL DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"	\$ 76,000.00	\$ 76,000.00	\$ 76,000.00	\$	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	2,353,738.82	2,433,179.02	2,382,644.20	48,417.55	2,117.27
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	\$ 9,860,454.45	\$ 9,939,894.65	\$ 9,622,437.71	\$ 315,339.67	\$ 2,117.27
TOTAL GENERAL APPROPRIATIONS	\$ 10,260,454.45	\$ 10,339,894.65	\$ 10,022,437.71	\$ 315,339.67	\$ 2,117.27

REF.

Budget	A-2	A-1	A-A-1
Appropriation by 40A.4-87	\$ 10,260,454.45		
	79,440.20		
	\$ 10,339,894.65		
State and Federal Programs Reserve for Uncollected Taxes		\$ 183,135.48	
Encumbrances Payable		400,000.00	
Deferred Charges		277,629.85	
Cash Disbursements		76,000.00	
		9,829,854.52	
		10,766,619.85	
		744,182.14	
Less: Refunds		\$ 10,022,437.71	

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



TRUST FUND

"B"

BOROUGH OF FANWOOD

TRUST FUND

BALANCE SHEETS-REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>
Assessment Trust Fund:			
Assessment Liens	B-3	\$ 318.56	\$ 318.56
		<u>\$ 318.56</u>	<u>\$ 318.56</u>
Animal Control Trust Fund:			
Cash	B-1	\$ 7,012.48	\$ 5,374.40
Due Current Fund	B-4	4.28	5.39
		<u>\$ 7,016.76</u>	<u>\$ 5,379.79</u>
Other Trust Funds:			
Cash	B-1	\$ 819,685.39	\$ 749,204.83
Due County of Union - Community Development Block Grant	B-2	11,585.00	11,140.00
		<u>\$ 831,270.39</u>	<u>\$ 760,344.83</u>
		<u>\$ 838,605.71</u>	<u>\$ 766,043.18</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Trust Fund:			
Due Current Fund	B-4	\$ 318.56	\$ 318.56
		<u>\$ 318.56</u>	<u>\$ 318.56</u>
Animal Control Trust Fund:			
Reserve for Animal Control Fund Expenditures	B-8	\$ 7,016.76	\$ 5,379.79
		<u>\$ 7,016.76</u>	<u>\$ 5,379.79</u>
Other Trust Funds:			
Due Current Fund	B-4	\$ 15,063.59	\$ 15,224.19
Reserve For:			
Unemployment Compensation Insurance	B-6	336.09	1,447.57
Community Development Block Grant	B-7	10,614.02	9,436.07
Builders Escrow	B-9	184,638.81	84,783.83
Zoning Escrow Trust	B-10	13,709.96	14,582.72
Redevelopers Escrow	B-11	2,081.59	6,244.33
Recreation Trust	B-12	79,273.04	49,483.71
Law Enforcement Trust	B-13	13,385.77	13,137.32
Developers Housing Escrow	B-14	115,978.93	13,963.64
Library Fund	B-15	62,838.53	57,569.76
In Lieu of Construction	B-16	63,358.89	66,611.32
Tax Sale Premiums and Redemptions	B-17	52,400.00	252,200.00
Cell Tower Deposits	B-18	13,589.04	16,725.01
Payroll Deductions	B-19	30,041.29	30,222.06
Police Off-Duty Pay	B-20	75,625.02	46,912.26
Municipal Open Space	B-21	12,000.09	
Miscellaneous Trust Deposits	B-5	86,335.73	81,801.04
		<u>\$ 831,270.39</u>	<u>\$ 760,344.83</u>
		<u>\$ 838,605.71</u>	<u>\$ 766,043.18</u>

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

GENERAL CAPITAL FUND

"C"

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

BALANCE SHEETS-REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>
<u>A S S E T S</u>			
Cash	C-2	\$ 916,549.73	\$ 1,320,941.13
Grants Receivable	C-13	1,696,127.58	565,307.58
Due Scotch Plains-Fanwood Board of Education	C-5	6,000.00	6,000.00
Due Current Fund	C-4	512.48	202.26
Deferred Charges to Future Taxation:			
Funded	C-6	13,130,756.73	13,922,966.59
Unfunded	C-7	<u>3,778,684.79</u>	<u>2,451,605.23</u>
		\$ <u>19,528,631.31</u>	\$ <u>18,267,022.79</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-11	\$ 12,005,000.00	\$ 12,720,000.00
Bond Anticipation Note	C-12	1,000,000.00	
NJEIT Loan Payable	C-15	1,125,756.73	1,202,966.59
Improvement Authorizations-Funded	C-9	1,777,792.40	1,348,110.43
Improvement Authorizations-Unfunded	C-9	2,746,347.28	2,054,652.63
Contracts Payable	C-10	854,959.12	640,184.85
Capital Improvement Fund	C-8	14,445.78	67,218.72
Reserve for Debt Service	C-14		110,723.88
Fund Balance	C-1	<u>4,330.00</u>	<u>123,165.69</u>
		\$ <u>19,528,631.31</u>	\$ <u>18,267,022.79</u>

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

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE-REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2016	C	\$ 123,165.69
Increased by:		
Premium on Sale of Bonds and Notes	C-2	4,330.00
		\$ <u>127,495.69</u>
Decreased by:		
Anticipated as Revenue in 2017 Budget	C-2	<u>123,165.69</u>
Balance, December 31, 2017	C	\$ <u><u>4,330.00</u></u>

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

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GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF FANWOOD

GENERAL FIXED ASSET ACCOUNT GROUP

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
Fixed Assets:		
Buildings	\$ 1,124,600.00	\$ 1,124,600.00
Land	3,614,773.00	3,614,773.00
Machinery and Equipment	<u>5,619,187.94</u>	<u>5,066,010.96</u>
	\$ <u>10,358,560.94</u>	\$ <u>9,805,383.96</u>
Reserve:		
Investments in General Fixed Assets	\$ <u>10,358,560.94</u>	\$ <u>9,805,383.96</u>

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



NOTES TO FINANCIAL STATEMENTS

BOROUGH OF FANWOOD

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Fanwood is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Fanwood include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Fanwood, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Fanwood do not include the operations of the regional school district, inasmuch as its activities are administered by a separate board.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Fanwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Fanwood are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

Trust Fund - receipts, custodianship and disbursements of funds in accordance with the purpose for which each reserve was created

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

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

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

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Operating grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders, at December 31, are reported as expenditures through the establishment of encumbrances payable. Under, GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

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 Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

Interfunds - Interfunds receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$1,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds.

The General Fixed Assets that have been acquired and that are utilized in the Current and General Capital Funds are instead accounted for in the General Fixed Asset Account Group. No depreciation has been provided on general fixed assets or reported in the financial statements.

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements for the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Borough of Fanwood had the following cash and cash equivalents at December 31, 2017:

<u>Fund Type</u>	<u>Bank</u>		<u>Reconciling Items</u>		<u>Reconciled Balance</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>		
Current Fund	\$ 4,202,513.54	\$ 729,055.44	\$ 87,400.11	\$ 4,844,168.87	
Animal Control Trust Fund	7,012.48			7,012.48	
Trust Other Fund	813,711.42	52.50	6,078.62	807,685.30	
Municipal Open Space Trust Fund	12,000.09			12,000.09	
General Capital Fund	878,397.05	55,000.00	16,847.32	916,549.73	
<u>Total December 31, 2017</u>	<u>\$ 5,913,634.58</u>	<u>\$ 784,107.94</u>	<u>\$ 110,326.05</u>	<u>\$ 6,587,416.47</u>	

NOTE 2: CASH AND CASH EQUIVALENTS

A. Deposits

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$450,352.63 was covered by Federal Depository Insurance and \$5,463,281.95 was covered under the provisions of NJGUDPA.

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;;



NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Fanwood had no investments outstanding as of December 31, 2017.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds. A summary of bond and note transactions for the year ended December 31, 2017 are detailed on Exhibits "C-11" and "C-12".

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2017</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 14,130,756.73	\$ 13,922,966.59	\$ 14,043,992.93
	<u>14,130,756.73</u>	<u>13,922,966.59</u>	<u>14,043,992.93</u>
Net Debt Issued			
	<u>14,130,756.73</u>	<u>13,922,966.59</u>	<u>14,043,992.93</u>
Less: Accounts Receivable			91,001.00
Less: Reserve to Pay Bonds		110,723.88	220,180.50
	<u>14,130,756.73</u>	<u>13,812,242.71</u>	<u>13,732,811.43</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	2,278,684.79	2,451,286.67	1,637,793.44
Assessment Trust:			
Bonds and Notes	318.56	318.56	318.56
	<u>2,279,003.35</u>	<u>2,451,605.23</u>	<u>1,638,112.00</u>
Total Authorized but not Issued			
	<u>2,279,003.35</u>	<u>2,451,605.23</u>	<u>1,638,112.00</u>
Net Bonds and Notes Issued and and Authorized but not issued	\$ <u>16,409,760.08</u>	\$ <u>16,263,847.94</u>	\$ <u>15,370,923.43</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement as amended and indicates a statutory net debt of 1.43%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Regional School District Debt	\$ 1,182,267,321.33	\$ 1,182,267,321.33	\$ -0-
General Debt	<u>16,909,441.52</u>		<u>16,909,441.52</u>
	<u>\$ 1,199,176,762.85</u>	<u>\$ 1,182,267,321.33</u>	<u>\$ 16,909,441.52</u>

NET DEBT \$16,909,441.52 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2, AS AMENDED, \$1,182,267,321.33 EQUALS 1.43%.

BORROWING POWER UNDER N.J.S.40A:2-6 AS AMENDED

Equalized Valuation Basis* - December 31, 2017	\$1,182,267,321.33
3-1/2 of Equalized Valuation Basis	41,379,356.25
Net Debt	<u>16,909,441.52</u>
Remaining Borrowing Power	<u><u>\$24,469,914.73</u></u>

\*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTE

	<u>Interest Rate</u>	<u>Issue and Maturity Dates</u>	<u>Amount</u>
General Capital Fund	2.00%	4/21/17 - 4/20/18	\$1,000,000.00

LONG-TERM DEBT – ISSUED

General Serial Bonds:

	OUTSTANDING BALANCE DECEMBER <u>31, 2017</u>
\$6,240,000.00 2016 Bonds due in annual remaining installments of \$250,000.00 to \$500,000 through September 2033 at interest rates between 2.000% and 4.000%.	\$5,990,000.00
\$3,200,000.00 2008 Bonds due in annual remaining installments of \$300,000.00 to \$350,000.00 through July 2023 at interest rates between 4.250% and 4.400%.	\$1,950,000.00
\$4,600,000.00 2013 Bonds due in annual remaining installments of \$170,000.00 to \$240,000.00 through August 2036 at interest rates between 3.125% and 4.500%.	<u>\$4,065,000.00</u>
	<u><u>\$12,005,000.00</u></u>

OUTSTANDING  
BALANCE DECEMBER  
31, 2017

Environmental Infrastructure Loans:

\$350,000.00 2014 Loan due in annual remaining installments of \$15,000.00 to \$25,000.00 through August 2033 at interest rates between 3.00% and 5.00%.	\$ 300,000.00
\$1,027,255.50 2004 Interest Free Loan due in annual remaining installments of between \$52,233.34 to \$52,233.65 through August 2033	<u>\$ 835,733.25</u>
	<u><u>\$ 1,135,733.25</u></u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2017, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$2,778,684.79</u>
Assessment Trust Fund	<u>\$ 318.56</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2017

<u>YEAR</u>	<u>GENERAL CAPITAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2018	\$720,000.00	\$386,056.26	\$1,106,056.26
2019	720,000.00	360,281.26	1,080,281.26
2020	725,000.00	334,506.26	1,059,506.26
2021	780,000.00	306,068.76	1,086,068.76
2022	785,000.00	277,493.76	1,062,493.76
2023-2027	3,360,000.00	1,013,018.80	4,373,018.80
2028-2032	3,455,000.00	568,500.04	4,023,500.04
2033-2036	1,460,000.00	118,950.00	1,578,950.00
	<u>\$12,005,000.00</u>	<u>\$3,364,875.14</u>	<u>\$15,369,875.14</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR ENVIRONMENTAL INFRASTRUCTURE LOAN DEBT ISSUED AND  
OUTSTANDING AS OF DECEMBER 31, 2017

CALENDAR YEAR	TOTAL	TRUST LOAN		FUND LOAN
		PRINCIPAL	INTEREST	PRINCIPAL
2018	\$78,527.10	\$15,000.00	\$11,293.76	\$52,233.34
2019	77,777.10	15,000.00	10,543.76	52,233.34
2020	77,027.10	15,000.00	9,793.76	52,233.34
2021	76,277.10	15,000.00	9,043.76	52,233.34
2022	75,527.10	15,000.00	8,293.76	52,233.34
2023-2027	386,085.50	95,000.00	29,918.80	261,166.70
2028-2032	380,135.50	105,000.00	13,968.80	261,166.70
2033	<u>78,045.65</u>	<u>25,000.00</u>	<u>812.50</u>	<u>52,233.15</u>
	<u>\$1,229,402.15</u>	<u>\$300,000.00</u>	<u>\$93,668.90</u>	<u>\$835,733.25</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund Balance at December 31, 2017, which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2018, was as follows:

Current Fund	<u>\$1,093,000.00</u>
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NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County and the Regional School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, <u>2017</u>	BALANCE DECEMBER 31, <u>2016</u>
Prepaid Taxes	<u>\$2,275,387.14</u>	<u>\$105,335.08</u>

NOTE 6: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at [www.nj.gov/treasury/pensions/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.shtml).

NOTE 6: PENSION PLANS (CONTINUED)

Plan Descriptions

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, 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.

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.



NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP. Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2017 PERS provides for employee contributions of 7.34% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2017, members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$661,594.00 for 2017, \$682,842.00 for 2016 and \$620,102.00 for 2015.

Certain Borough employees are also covered by Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2017. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2017.

Public Employees Retirement System (PERS)

At June 30, 2017, the State reported a net pension liability of \$4,802,738.00 for the Borough of Fanwood’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Borough’s proportion of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Borough’s proportion was 0.0206317360 percent, which was a decrease of 0.0014712759 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$308,686.00 for the Borough of Fanwood’s proportionate share of the total pension expense. The pension expense recognized in the Borough’s financial statement based on the April 1, 2017 billing was \$196,360.00.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	-	\$113,088.00
Changes of assumptions	\$964,039.00	967,586.00
Net difference between projected and actual earnings on pension plan investments		32,703.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>317,056.00</u>	<u>64,973.00</u>
	<u>\$1,281,095.00</u>	<u>\$1,178,350.00</u>

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$69,886.00
2019	131,189.00
2020	50,646.00
2021	(218,167.00)
2022	<u>(136,299.00)</u>
	<u>(\$102,745.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. These actuarial valuations used the following assumptions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.65 percent

Preretirement 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. Postretirement 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).

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 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, 2017 are summarized in the following table:

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

	<u>June 30, 2017</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, 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:

	June 30, 2017		
	1% Decrease 4.00%	At Current Discount Rate 5.00%	1% Increase 6.00%
Borough's proportionate share of the pension liability	\$5,958,123.00	\$4,802,738.00	\$3,840,160.00

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS)

At June 30, 2017, the State reported a net pension liability of \$8,329,348.00 for the Borough of Fanwood's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0539533080 percent, which was an increase of 0.0026711808 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$968,394.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2017 billing was \$418,124.00.

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$48,886.00	\$54,036.00
Changes of assumptions	1,364,104.00	1,027,101.00
Net difference between projected and actual earnings on pension plan investments		158,943.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>409,264.00</u>	<u>910,220.00</u>
	<u>\$1,822,254.00</u>	<u>\$2,150,300.00</u>



NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2018	\$311,240.00
2019	479,951.00
2020	24,018.00
2021	(368,850.00)
2022	<u>(118,313.00)</u>
	<u><u>\$328,046.00</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions:

	<u>2016</u>	<u>2017</u>
Inflation	3.08 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent Based on Age	2.10-8.98 Percent Based on Age
Thereafter	3.10-9.98 Percent Based on Age	3.10-9.98 Percent Based on Age
Investment Rate of Return	7.65 Percent	7.00 Percent

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2017 and 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 PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.14% and 5.55% as of June 30, 2017 and June 30, 2016 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 and 7.65% and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and June 30, 2016 respectively 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.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

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 40% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, 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:

	June 30, 2017		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>5.14%</u>	<u>6.14%</u>	<u>7.14%</u>
Borough's proportionate share of the PFRS pension liability	<u>\$10,974,602.00</u>	<u>\$8,329,348.00</u>	<u>\$6,155,971.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.c. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.c. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

At June 30, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$932,958.00 and \$822,638.00 respectively.

At June 30, 2017, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$8,329,348.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>932,958.00</u>
	<u>\$9,262,306.00</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 7: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 8: SCHOOL TAXES

Regional School Taxes have been raised and liabilities deferred by statute, resulting in the school taxes prepaid set forth in the Current Fund as follows:

	<u>REGIONAL SCHOOL TAX</u>	
	<u>BALANCE</u>	<u>BALANCE</u>
	<u>DECEMBER</u>	<u>DECEMBER</u>
	<u>31, 2017</u>	<u>31, 2016</u>
Balance of Tax	\$9,784,846.73	\$9,453,626.73
Deferred	<u>9,871,907.00</u>	<u>9,540,687.00</u>
Tax Payable(Prepaid)	<u>(\$87,060.27)</u>	<u>(\$87,060.27)</u>

NOTE 9: TERMINATION BENEFITS

Under existing contracts and policies of the Borough, employees, upon attaining retirement, accumulate benefits which may be taken as time off or paid in a lump sum. The accumulated cost of such unpaid termination compensation is not required to be reported in the financial statements as presented. The Borough has estimated its liability to be \$174,663.48. The Borough annually appropriates the amounts that are required to be paid in that year's budget and no liability is accrued at December 31, 2017.

NOTE 10: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017, the Borough does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough participates in a self insurance program through the Garden State Joint Insurance Fund covering each of those risks of loss. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Borough's contribution to the Fund for claim payments is based on actuarial assumption determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough.

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

<u>Year</u>	<u>Borough Contributions and Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 23.72	\$ 5,084.64	\$ 6,219.84	\$ 336.09
2016	41.94	5,144.08	7,104.98	1,447.57
2015	21.99	5,149.46	2,035.14	3,366.53

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$15,382.15	\$516.76
Assessment Trust Fund		318.56
Animal Control Fund	4.28	
Trust Other Fund		15,063.59
General Capital Fund	512.48	
	<u>\$15,898.91</u>	<u>\$15,898.91</u>

All balances resulted from the time lag between the dates that payments between the funds are made.

NOTE 13: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the plan are held by an independent administrator, the Lincoln National Life Insurance Company.

NOTE 14: LENGTH OF SERVICE AWARDS PROGRAM

During 2002, the Borough of Fanwood adopted an ordinance establishing a Length of Service Awards Program for the members of the Fanwood Volunteer Fire Department and the Fanwood Volunteer First Aid Squad pursuant to N.J.S.A. 40A:14-183 et seq.

Under this program, each volunteer that performs the minimum amount of service will have an annual amount of \$600.00 deposited into a tax deferred income account that will earn interest for the volunteer. The cost will be budgeted annually in the budget of the Borough and is anticipated to be \$24,558.00 per year. The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report, as required by State regulations.



NOTE 15: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement requires the municipality to disclose in the notes to the financial statements the present value of the estimated future cost of the other post employment benefits (OPEB). OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or required to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their balance sheets; however, OPEB obligations are required to be disclosed in the notes.

For employers with over 200 employees the valuations should be conducted at least every two years.

Plan Description. The Borough contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit postemployment 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. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. 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. 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 at <http://www.state.nj.us/treasury/pensions>.

NOTE 15: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough on a monthly basis. The Borough opted to defer the initial first two months payments which will only be payable upon the Borough opting out of the SHBP. A liability has been set up for the costs. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Borough's contributions to SHBP for the years ended December 31, 2017, 2016 and 2015 were \$592,015.97, \$516,383.89 and \$512,571.72 respectively, which equaled the required contributions for each year.

NOTE 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the following deferred charges are shown:

	BALANCE DECEMBER 31, <u>2017</u>	2018 BUDGET APPROPRIATION	BALANCE TO SUCCEEDING <u>YEARS</u>
Current Fund:			
Emergency Appropriations-40A:4-53	\$60,000.00	\$15,000.00	\$45,000.00
	<u>\$60,000.00</u>	<u>\$15,000.00</u>	<u>\$45,000.00</u>

NOTE 17: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for the year 2017. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The Borough has made provision, from budget appropriations, in the amount of \$20,000 for these appeals in the event tax reductions are granted.

NOTE 18: TAX ABATEMENTS

The Borough negotiates property tax abatement agreements on an individual basis. The Borough has a tax abatement agreement with three entities as of December 31, 2017:

Purpose of Agreement	Taxing Government	Taxes if billed	Received for	Taxes Abated		Aggregate Reduction of Gov. Revenue
		at full 2017 Tax Rate	Payments in Lieu of Taxes & Land Tax	Amount	(%)	
Fanwood Crossing II Construction of low and moderate income housing project	School	\$108,212.29		\$108,212.29	100%	\$ -
	County	34,747.99	5,013.39	29,734.60	86%	-
	Borough	35,890.76	95,254.37	(59,363.61)	-165%	-
	<b>Total</b>	<b>178,851.04</b>	<b>100,267.76</b>	<b>78,583.28</b>		<b>-</b>
Fanwood Crossing III Construction of low and moderate income housing project	School	\$57,415.07		57,415.07	100%	\$ -
	County	18,436.52	2,727.80	15,708.72	85%	-
	Borough	19,042.85	51,828.27	(32,785.42)	-172%	-
	<b>Total</b>	<b>94,894.45</b>	<b>54,556.07</b>	<b>40,338.38</b>		<b>-</b>
250 South Ave Construction of low and moderate income housing project	School	\$74,106.20		74,106.20	100%	\$ -
	County	23,796.20	4,356.66	19,439.54	82%	-
	Borough	24,578.80	82,776.58	(58,197.78)	-237%	-
	<b>Total</b>	<b>122,481.20</b>	<b>87,133.24</b>	<b>35,347.96</b>		<b>-</b>
	School	239,733.56	0.00	239,733.56		\$ -
	County	76,980.71	12,097.85	64,882.86		\$ -
	Borough	79,512.42	229,859.22	(150,346.80)		\$ -
	<b>Total</b>	<b>\$396,226.68</b>	<b>\$241,957.07</b>	<b>\$154,269.61</b>	<b>39%</b>	<b>-</b>

The full amount to be raised by taxes for support of each Government's budget is levied on properties not subject to such agreements, therefore there is no aggregate reduction of tax revenue to the Governments as a result of the abatement.

These agreements were negotiated under the Long Term Tax Exemption Law, N.J.S.A. 40A:20-1 et seq (the Law), which authorizes municipalities to enter into financial agreements with Urban Renewal Entities. An Urban Renewal Entity is a limited-dividend entity or a nonprofit entity which undertakes redevelopment projects (both commercial and residential), relocation projects for residents displaced by the redevelopment area, and low and moderate income housing projects in return for tax exemptions, or payments in lieu of taxes referred to as "annual service charges".

The Law allows annual service charges to be calculated as a percentage of either gross revenue from each unit of the project or from total project cost, if the project is not undertaken in units. In the case of low and moderate income housing projects, the annual service charge shall not exceed 15% of annual gross revenue or 2% of total project cost. For all other projects, the annual service charge shall not be less than 10% of annual gross revenue or 2% of total project cost. The Borough's abatements are categorized as a low and "moderate income housing projects. There are a total of five stages in the abatement period. The final four phases require the Urban Renewal Entity to remit the greater of the agreed upon annual service charge or 20%, 40%, 60% and 80%, respectively, of the amount of taxes otherwise due on the value of the land and improvements.

NOTE 18: TAX ABATEMENTS (CONTINUED)

The Law only allows for taxes on improvements to be abated. Taxes on land are billed quarterly to the Urban Renewal Entity and are credited against the annual service charges due. To administer the billing, the land value and improvement value of the abated property are separate line items in the tax assessment and collection records. The land value is billed quarterly at the total property tax rate. The improvement value is classified as exempt property (Class 15F), generating no bill.

Under the Law, abatements may provide for an exemption period of less than 30 years from the completion of the entire project or less than 35 years from the execution of the financial agreement. Further, Urban Renewal Entity profits are restricted and any excess profits are payable to the municipality as an additional annual service charge.

The Law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement. However, in the event of default, the Borough has the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 and/or may terminate the agreement. The Borough has not made any commitments as part of the agreements other than reduce taxes. The Borough is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 19: SUBSEQUENT EVENTS

On May 22, 2017 the Union County Board of Taxation ordered the Borough to implement a municipal wide revaluation to be completed by November 1, 2019.

A Sewer Utility was established through the passing of Ordinance 18-02-R on April 16, 2018.

BOROUGH OF FANWOOD

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance, December 31, 2016	A	\$ 2,363,355.89
Increased by Receipts:		
Taxes Receivable	A-9	\$ 32,460,421.90
Prepaid Taxes	A-17	2,275,387.14
Tax Overpayments	A-18	51,931.67
Revenue Accounts Receivable	A-12	2,834,764.31
Miscellaneous Revenue Not Anticipated	A-2	128,198.58
Interfunds Receivable	A-23	207,967.44
Appropriations Refunds	A-3	744,182.14
Grants Receivable	A-5	138,548.16
Grants Unappropriated	A-15	9,018.29
State of New Jersey-Senior Citizens and Veterans Deductions-Chapter 20, P.L.1971	A-8	54,500.00
Petty Cash	A-7	400.00
Sewer Charges	A-29	50,300.62
Refund of P.I.L.O.T. Revenue to County	A-35	12,097.85
Due to State of New Jersey:		
State Training Fees	A-25	14,162.00
Marriage License Fees	A-16	750.00
		<u>38,982,630.10</u>
		\$ 41,345,985.99
Decreased by Disbursements:		
Appropriations	A-3	\$ 9,829,854.52
Appropriation Reserves	A-13	381,145.88
County Taxes	A-20	6,354,898.57
Regional School Taxes	A-21	19,412,591.00
Municipal Open Space Taxes	A-37	12,000.00
Interfunds Payable	A-23	207,497.73
Petty Cash	A-7	400.00
Reserve for Tax Appeals	A-28	22,000.00
Reserve for Tax Maps	A-33	39,684.46
Reserve for Snow Removal	A-31	5,368.64
Refund of Parking Meter Revenue	A-2	9,284.58
Accounts Payable	A-24	1,018.88
Tax Overpayments	A-18	48,434.07
Refund of Prior Year Revenue	A-1	10,544.47
Reserve for Grants Appropriated	A-22	153,665.32
Due to State of New Jersey:		
State Training Fees	A-25	12,904.00
Marriage License Fees	A-16	525.00
		<u>36,501,817.12</u>
Balance, December 31, 2017	A	\$ <u>4,844,168.87</u>

## BOROUGH OF FANWOOD

## CURRENT FUND

## SCHEDULE OF GRANTS RECEIVABLE

<u>PROGRAM</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>2017 ANTICIPATED REVENUE</u>	<u>RECEIVED</u>	<u>UNAPPROPRIATED APPLIED</u>	<u>BALANCE DECEMBER 31, 2017</u>
Hazardous Mitigation Grant	\$ 75,000.00	\$	\$	\$	\$ 75,000.00
Clean Communities Grant		13,294.28	13,294.28		
Body Armor Replacement Fund		1,865.87	1,865.87		
Smart Future Historic Preservation Grant	7,054.70				7,054.70
Union County Kids Recreation Grant-09	688.98				688.98
Union County Kids Recreation Grant-11	14,866.56				14,866.56
Union County Kids Recreation Grant-15	23,184.96		23,184.96		
Union County Kids Recreation Grant-16	64,423.64		8,574.55		55,849.09
2017 Infrastructure and Municipal Aid Grant		65,000.00	65,000.00		
Municipal Alliance-12	2,088.56				2,088.56
R.O.I.D. Grant	14,229.02		8,026.00		6,203.02
TDR Grant 06	20,000.00				20,000.00
Drunk Driving Enforcement Fund					
Local Domestic Preparedness Equip Grant	21,500.00				21,500.00
Union County Senior Focus Grant		25,000.00			25,000.00
Union County Means Green (Rain)		650.00	650.00		
Union County Kids Green		1,356.50		1,356.50	
Click It or Ticket	600.00				600.00
Recycling Tonnage Grant		8,342.00	8,342.00		
PSE&G Reliability Grant	27,000.00				27,000.00
NJ Economic Development Authority	1,060.00				1,060.00
Union County Heart Grant	2,500.00		1,250.00		1,250.00
Union County Heart Grant	937.50	2,200.00	1,100.00		2,037.50
Preserve Union County-Carriage House	5,947.02				5,947.02
Historic Preservation Grant	20,000.00				20,000.00
Sustainable NJ	2,760.50		2,760.50		
Green Acres Program		62,802.58			62,802.58
Greening Union County	2,355.50	571.75	1,200.00		1,727.25
Drive Sober or Get Pulled Over	10,000.00		3,300.00		6,700.00
	<u>\$ 316,196.94</u>	<u>\$ 181,082.98</u>	<u>\$ 138,548.16</u>	<u>\$ 1,356.50</u>	<u>\$ 357,375.26</u>
<u>REF.</u>	A	A-2	A-4	A-15	A

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF CHANGE FUNDS

REF.

Balance, December 31, 2017 and  
December 31, 2016

A

\$ 350.00

OFFICE

Municipal Court  
Board of Health  
Collector

\$ 100.00  
50.00  
200.00

\$ 350.00

SCHEDULE OF PETTY CASH

OFFICE

Treasurer

RECEIVED  
FROM  
TREASURER

RETURNED  
TO  
TREASURER

\$ 400.00 \$ 400.00

REF.

A-4

A-4



BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY -  
SENIOR CITIZENS AND VETERANS DEDUCTIONS

	<u>REF.</u>		
Balance, December 31, 2016 (Due From)	A	\$	8,931.75
Increased by:			
Senior Citizens and Veterans Deductions:			
Allowed by Collector			250.00
Per Tax Billings			54,250.00
		\$	<u>63,431.75</u>
Decreased by:			
Senior Citizens and Veterans Deductions:			
Received in Cash From State	A-4		<u>54,500.00</u>
Balance, December 31, 2017 (Due From)	A	\$	<u><u>8,931.75</u></u>

CALCULATION OF "STATE'S SHARE" - SENIOR  
CITIZENS DEDUCTIONS ALLOWED (CHAPTER 20, P.L. 1971)

Senior Citizens and Veterans Deductions:			
Per Tax Billings		\$	54,250.00
Allowed by Collector			250.00
			<u>54,500.00</u>
Per Tax Billings	A-9	\$	<u><u>54,500.00</u></u>

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2016	2017 LEVY	COLLECTIONS BY CASH	2016	2017	TRANSFERRED TO TAX TITLE LIENS	CANCELED	BALANCE DECEMBER 31, 2017
2016	\$ 106,002.02	\$	\$	\$ 106,002.02	\$	\$	\$	\$
2017		32,694,320.58	105,335.08	32,427,566.57	1,139.36	1,139.36	19,255.95	141,023.62
	\$ 106,002.02	32,694,320.58	105,335.08	32,533,568.59		1,139.36	19,255.95	141,023.62
REF.	A		A-2-A-17	A-2	A-10			A

REF.

Collector	A-4	\$ 32,460,421.90
Overpayments Applied	A-18	18,646.69
State of New Jersey	A-8	54,500.00
		<u>\$ 32,533,568.59</u>

ANALYSIS OF 2017 PROPERTY TAX LEVY

<u>TAX YIELD</u>		
General Purpose Tax	\$ 32,634,021.53	
Added and Omitted Tax (54:4-63.1 et seq.)	60,299.05	
	<u>\$ 32,694,320.58</u>	
<u>TAX LEVY</u>		
Regional District School Tax:		
Levy (Abstract)		
County Tax (Abstract)	\$ 6,340,997.67	19,743,815.00
Due County for Added Taxes - (54:4-63.1 et seq.)	10,904.23	
Total County Tax		<u>6,351,901.90</u>
Local Tax for Municipal Purposes (Abstract)	\$ 6,143,966.02	
Municipal Open Space	12,019.55	
Minimum Library Tax	392,563.78	
Add: Additional Taxes Levied	50,054.33	
	<u>6,598,603.68</u>	
<u>TOTAL</u>	\$ 32,694,320.58	

"A-10"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF TAX TITLE LIENS

	<u>REF.</u>	
Balance, December 31, 2016	A	\$ 26,174.95
Increased by:		
Transfers From Taxes Receivable	A-9	\$ <u>1,139.36</u>
		\$ <u>27,314.31</u>
Balance, December 31, 2017	A	\$ <u><u>27,314.31</u></u>

"A-11"

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
AT ASSESSED VALUATION

Balance, December 31, 2017 and December 31, 2016	A	\$ <u><u>12,279.00</u></u>
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BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>ACCRUED IN 2017</u>	<u>COLLECTED</u>	<u>BALANCE DECEMBER 31, 2017</u>
	\$	\$		\$
A-2		7,875.00	7,875.00	
A-2		5,017.00	5,017.00	
A-2		4,468.00	4,468.00	
A-2		285,769.00	285,769.00	
A-2	13,687.31	213,707.90	211,539.60	15,855.61
A-2		122,651.50	122,651.50	
A-2		6,080.00	6,080.00	
A-2		17,447.87	17,447.87	
A-2		35,950.22	35,950.22	
A-2		330,022.84	330,022.84	
A-2		40,572.66	40,572.66	
A-2		755,288.00	755,288.00	
A-2		123,165.69	123,165.69	
A-2		4,977.70	4,977.70	
A-2		53,140.00	53,140.00	
A-2		144,614.51	144,614.51	
A-2		15,015.00	15,015.00	
A-2		82,446.65	82,446.65	
A-2		110,723.88	110,723.88	
A-2		17,000.00	17,000.00	
A-2		31,139.97	31,139.97	
A-2		200,000.00	200,000.00	
A-2		82,776.58	82,776.58	
A-2		95,254.37	95,254.37	
A-2		51,828.27	51,828.27	
	<u>\$ 13,687.31</u>	<u>2,836,932.61</u>	<u>2,834,764.31</u>	<u>15,855.61</u>

Clerk:

- Licenses:
- Alcoholic Beverage
- Health Officer:
- License
- Fees and Permits
- Construction Code Official:
- Fees and Permits
- Municipal Court:
- Fines and Costs
- Police Department:
- Fees and Permits
- Zoning Fees and Permits
- Fire Inspection Fees
- Interest and Cost on Taxes
- Parking Meters
- Interest on Investments
- Energy Receipts Tax
- Capital Fund Balance
- Uniform Fire Safety Act
- Shared Services - Garwood DPW Director
- T Mobile Rental Fee
- Bulk Waste Pick Up
- Verizon TV
- Reserve for Debt Service
- Reserve for Recycling
- Cable T.V.-Gross Revenue Franchise Fee
- Sale of Municipal Assets
- P.I.L.O.T. Elite Phase I
- Pilot - Fanwood Crossing 2
- Pilot - Fanwood Crossing 3

REF.

A

A-4

A

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF 2016 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2016	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED
<u>SALARIES AND WAGES:</u>				
Administrative and Executive	\$ 4,341.39	\$ 341.39	\$	341.39
Office of the Mayor	499.84	499.84		499.84
Financial Administration	565.48	565.48	260.54	304.94
Assessment of Taxes	2.70	2.70		2.70
Collection of Taxes	294.86	294.86		294.86
Municipal Prosecutors	229.17	229.17		229.17
Environmental Commission	1.38	1.38		1.38
School Crossing Guards	591.02	591.02		591.02
Police	22,199.17	18,324.17		18,324.17
Fire Prevention Bureau	1,453.00	1,453.00	1,275.00	178.00
Road Repair and Maintenance	1,447.83	1,447.83		1,447.83
Board of Health	168.40	168.40		168.40
Sanitation:				
Solid Waste Management Act	1.69	1.69		1.69
Parks and Playgrounds	106.71	106.71		106.71
Senior Citizen	2,230.33	2,230.33		2,230.33
Municipal Court	3,175.19	3,175.19		3,175.19
Construction Official	815.32	815.32		815.32
Plumbing Inspector	14.30	14.30		14.30
Building Inspector	4.77	4.77		4.77
Electrical Inspector	3.14	3.14		3.14
Zoning Officer	4.34	4.34		4.34
Fire Sub Code Official	4.74	4.74		4.74
<u>OTHER EXPENSES:</u>				
Administrative and Executive	5,274.95	19,145.68	16,081.09	3,064.59
Office of The Mayor	750.10	750.10	103.47	646.63
Collection of Taxes	3,013.15	3,013.15		3,013.15
Financial Administration	5,756.37	25,831.34	18,725.44	7,105.90
Audit		425.00		425.00
Assessment of Taxes	6,081.22	7,641.38	7,078.45	562.93
Legal Services and Costs	51,682.79	91,562.51	88,794.82	2,767.69
Public Defender	7,194.94	7,194.94		7,194.94
Engineering Services and Costs	6,167.40	4,167.40	4,166.66	0.74
Planning Board	5,160.58	2,092.80	1,486.20	606.60
Credit Card Fees	925.51	925.51	861.17	64.34
Environmental Commission	1,387.53	1,387.53		1,387.53
Shade Tree Commission	910.42	12,037.97	11,972.55	65.42
Insurance:				
State Unemployment Compensation	500.00	500.00	500.00	
Group Insurance	5,597.49	597.49	437.40	160.09
Other Insurance Premiums	14,239.60	4,239.60		4,239.60
Workmen's Compensation	10,677.00	10,677.00	3,239.00	7,438.00
Fire:				
Fire Hydrants	3,000.00	3,000.00	3,000.00	
Miscellaneous	1,359.78	29,698.50	28,878.64	819.86
Fire Prevention Bureau	21.00	1,787.70	1,778.44	9.26
Police	276.02	13,858.15	12,475.99	1,382.16
Dispatchers		21,216.00	21,216.00	
Traffic Signal Maintenance		1,933.50	1,933.50	
Sanitation:				
Solid Waste Management Act	1,436.08	34,447.83	31,450.91	2,996.92
Emergency Management Services		1,420.00	1,420.00	
Road Repair and Maintenance	659.01	8,887.79	7,087.48	1,800.31

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF 2016 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2016	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED
Recycling Center	\$	\$ 19,639.68	\$ 19,639.68	\$
Street Lighting	27,544.43	27,544.43	18,621.37	8,923.06
Board of Health	1,560.73	1,773.73	213.00	1,560.73
Contractual - Town of Westfield	350.00	350.00		350.00
New Jersey Public Employees Occupational and Safety	1,000.00			
Historic Preservation Commission	729.21	729.21	212.69	516.52
Parks and Playgrounds	0.08	26.08	26.00	0.08
Celebration of Public Events	4,426.31	4,426.31		4,426.31
Construction Official	3,862.27	862.27		862.27
Zoning Officer	373.44	373.44		373.44
Utilities- Other	31,870.10	32,162.90	21,555.90	10,607.00
Gasoline and Diesel Fuel	4,054.23	9,945.59	5,857.09	4,088.50
Downtown Revitalization	5,305.72	37,880.72	32,575.00	5,305.72
Postage	1,294.64	1,294.64		1,294.64
N.J. Transit Contractual		52,652.68		52,652.68
Contingent	2,000.00	2,000.00		2,000.00
Contribution to:				
Social Security System	2,006.00	2,006.00		2,006.00
Defined Contribution Retirement Program	1,517.84	1,517.84	45.57	1,472.27
Municipal Court	2,681.88	3,230.18	1,548.30	1,681.88
Community Assessment	2,133.63	8,660.80	3,116.42	5,544.38
Plainfield Area Regional Sewerage Authority	2,446.13	2,446.13		2,446.13
Maintenance of Free Public Library (N.J.S.A. 40:54)	3,461.78	10,682.60	10,682.60	
Capital Improvement Fund		21,000.00	21,000.00	
	<u>\$ 268,844.13</u>	<u>\$ 579,923.87</u>	<u>\$ 399,316.37</u>	<u>\$ 180,607.50</u>
	<u>REF.</u>	<u>A</u>		<u>A-1</u>
Appropriation Reserves	A-13	\$ 268,844.13		
Transferred from Accounts Payable	A-24	<u>311,079.74</u>		
		<u>\$ 579,923.87</u>		
Cash Disbursements	A-4		\$ 381,145.88	
Transferred to Reserve for COAH Fees	A-38		<u>18,170.49</u>	
			<u>\$ 399,316.37</u>	

"A-14"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR SALE OF  
MUNICIPAL ASSETS

REF.

Balance, December 31, 2016 and December 31, 2017	A	\$ <u>125.00</u>
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"A-15"

SCHEDULE OF RESERVE GRANTS - UNAPPROPRIATED

Balance, December 31, 2016	A	\$ 1,357.50
Increased by: Receipts	A-4	<u>9,018.29</u>
		\$ 10,375.79
Decreased by: Applied to Receivables	A-5	<u>1,356.50</u>
Balance, December 31, 2017	A	\$ <u>9,019.29</u>

ANALYSIS OF BALANCE

Recycling Tonnage Grant		\$ <u>9,019.29</u>
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"A-16"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY -  
MARRIAGE LICENSE FEES

	<u>REF.</u>	
Balance, December 31, 2016	A	\$ 100.00
Increased by:		
Receipts	A-4	\$ <u>750.00</u>
Decreased by:		
Disbursements	A-4	\$ <u>525.00</u>
Balance, December 31, 2017	A	\$ <u><u>325.00</u></u>

"A-17"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2016	A	\$ 105,335.08
increased by:		
Collection of 2018 Taxes	A-4	\$ <u>2,275,387.14</u>
		\$ <u>2,380,722.22</u>
Decreased by:		
Applied to Taxes Receivable	A-9	<u>105,335.08</u>
Balance, December 31, 2017	A	\$ <u><u>2,275,387.14</u></u>



"A-18"

BOROUGH OF FANWOOD  
CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2016	A	\$	57,022.31
Increased by:			
Overpayments in 2017	A-4	\$	51,931.67
Prior Year Veteran's Allowed Overpayments in 2017	A-4		<u>51,931.67</u>
		\$	108,953.98
Decreased by:			
Applied to Taxes Receivable	A-9	\$	18,646.69
Refunded	A-4		<u>48,434.07</u>
			<u>67,080.76</u>
Balance, December 31, 2017	A	\$	<u><u>41,873.22</u></u>

"A-19"

SCHEDULE OF DEFERRED CHARGES

Balance, December 31, 2016	A	\$	136,000.00
Decreased by:			
Raised in Budget	A-3	\$	<u>76,000.00</u>
Balance, December 31, 2017	A	\$	<u><u>60,000.00</u></u>

"A-20"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2016	A	\$	15,514.92
Increased by:			
2017 Levy	A-1:A-9	\$	6,340,997.67
Added Taxes - 54:63.1 et.seq.	A-1:A-9		<u>10,904.23</u>
			6,351,901.90
		\$	<u>6,367,416.82</u>
Decreased by:			
Payments	A-4		<u>6,354,898.57</u>
Balance, December 31, 2017	A	\$	<u><u>12,518.25</u></u>

"A-21"

SCHEDULE OF REGIONAL DISTRICT SCHOOL TAX

Balance, December 31, 2016			
School Tax Deferred		\$	9,540,683.00
School Tax Prepaid	A		<u>(87,060.27)</u>
		\$	9,453,622.73
Increased by:			
Levy-School Year July 1, 2017 to June 30, 2018	A-9		<u>19,743,815.00</u>
		\$	<u>29,197,437.73</u>
Decreased by:			
Payments in 2017	A-4		<u>19,412,591.00</u>
Balance, December 31, 2017			
School Tax Deferred		\$	9,871,907.50
School Tax Prepaid	A		<u>(87,060.27)</u>
		\$	<u><u>9,784,847.23</u></u>
2017 Liability for Regional School District Tax:			
School Tax Paid 2017		\$	19,412,591.00
Add: School Tax (Prepaid) December 31, 2016			<u>87,060.27</u>
		\$	<u>19,499,651.27</u>
Add: School Tax (Prepaid) December 31, 2017			<u>87,060.27</u>
	A-1	\$	<u><u>19,412,591.00</u></u>

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

<u>PROGRAM</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>TRANSFERRED FROM ACCOUNTS PAYABLE</u>	<u>2017 APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>BALANCE DECEMBER 31, 2017</u>
	\$	\$	\$	\$	\$
Drunk Driving Enforcement Fund	7,530.11			824.26	6,705.85
Clean Communities Program	27,036.35	55.18	13,294.28	10,800.14	29,585.67
Hazardous Mitigation Grant	71,225.00				71,225.00
Recycling Enhancement Grant	668.25				668.25
Improvements to Carriage House	844.05				844.05
PSE&G Reliability Project	25,713.00			650.00	25,713.00
UC Means Green (Rain)			650.00		
Union County Kids Green			1,356.50		
Rahway River Rain Garden	1,173.10				1,356.50
Sustainable NJ	217.67				1,173.10
Union County Kids Recreation	133,523.78			125,433.02	8,090.76
Comcast Grant	45,135.00			7,433.23	37,701.77
NJ Prevention Network		1,845.00		1,845.00	
Municipal Alliance - Local Match	225.19				225.19
Municipal Alliance	10,744.56		2,052.25		10,744.81
Body Armor Replacement Fund	12,686.73		1,865.87	900.00	13,652.60
Recycling Tonnage Grant	28,015.53		8,342.00	37,381.34	357.29
Senior Focus Grant		1,381.10		23,810.75	1,189.25
Preserve Union County-Carriage House	2,974.05		25,000.00		2,974.05
ROID Grant	11,639.14			11,639.14	
ROID Grant-Match	6,060.00			4,467.23	1,592.77
2016 Infrastructure and Municipal Aid Grant	24,373.22			17,945.71	6,427.51
2017 Infrastructure and Municipal Aid Grant			65,000.00		65,000.00
Click It or Ticket	7,300.00			715.00	6,585.00
Drive Sober or Get Pulled Over	10,000.00			400.00	9,600.00
Over the Limit Under Arrest	4,400.00				4,400.00
Preserve Union County	18.25				10.67
Historic Preservation Grant	3,484.85	4,175.98		4,183.56	3,484.85
Union County Heart Grant	4,009.80	8,530.33		8,530.33	3,956.49
PSEG Tree Planting Grant	3,276.00		2,200.00	2,253.31	3,276.00
Greening Union County	3,228.50				1,476.03
Greening Union County - NJ Forestry	3,000.00		571.75		3,000.00
NJ Economic Development Authority	0.08			2,324.22	0.08
Green Acres Program			62,802.58		62,802.58
	<u>\$ 448,502.21</u>	<u>\$ 15,987.59</u>	<u>\$ 183,135.48</u>	<u>\$ 263,588.49</u>	<u>\$ 384,036.79</u>

REF.

Cash Disbursements A-4 \$ 153,665.32  
 Encumbrances Payable A-24 \$ 109,923.17  
\$ 263,588.49

A

A-3

A-24

A

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF INTERFUNDS

REF.	TOTAL	ASSESSMENT TRUST FUND	ANIMAL CONTROL TRUST FUND	TRUST OTHER FUND	GENERAL CAPITAL FUND
Balance, December 31, 2016:					
Due From	\$ 15,542.75	\$ 318.56	\$ 5.39	\$ 15,224.19	\$ 202.26
Due To	207.65				
Cash Receipts	207,967.44			550.49	207,416.95
Cash Disbursements	<u>207,497.73</u>		<u>1.11</u>	<u>389.89</u>	<u>207,106.73</u>
Balance, December 31, 2017:					
Due From	\$ 15,382.15	\$ 318.56	\$ 4.28	\$ 15,063.59	\$ 512.48
Due To	<u>516.76</u>				

"A-24"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2016	A	\$	575,243.77
Increased by:			
Federal and State Grants Appropriated	A-22	\$	109,923.17
2017 Appropriations	A-3		<u>277,629.85</u>
			387,553.02
		\$	<u>962,796.79</u>
Decreased by:			
Transferred to Appropriation Reserves	A-13	\$	311,079.74
Transferred to Federal and State Grants Appropriated	A-22		15,987.59
Disbursements	A-4		1,018.88
Transferred to Reserve for Tax Maps	A-33		<u>57,320.00</u>
			<u>385,406.21</u>
Balance, December 31, 2017	A	\$	<u><u>577,390.58</u></u>

"A-25"

SCHEDULE OF STATE TRAINING FEES -  
DUE STATE OF NEW JERSEY

Balance, December 31, 2016	A	\$	1,227.54
Increased by:			
Receipts	A-4		<u>14,162.00</u>
		\$	<u>15,389.54</u>
Decreased by:			
Disbursements	A-4		<u>12,904.00</u>
Balance, December 31, 2017	A	\$	<u><u>2,485.54</u></u>

"A-26"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR FIRE FINES AND PENALTIES

REF.

Balance, December 31, 2017 and  
December 31, 2016

A

\$ 25.00

"A-27"

SCHEDULE OF BURIAL PERMITS  
DUE STATE OF NEW JERSEY

Balance, December 31, 2017 and  
December 31, 2016

A

\$ 35.00

"A-28"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

	<u>REF.</u>	
Balance, December 31, 2016	A	\$ <u>22,000.00</u>
Increased by:		
Transfers from Current Taxes Receivable	A-2	\$ <u>20,000.00</u>
		\$ <u>42,000.00</u>
Decreased by:		
Cash Disbursements	A-4	<u>22,000.00</u>
Balance, December 31, 2017	A	\$ <u><u>20,000.00</u></u>

"A-29"

SCHEDULE OF SEWER CHARGES RECEIVABLE

Balance, December 31, 2016	A	\$ 207.26
Increased by:		
Sewer Charges		\$ <u>50,100.00</u>
Decreased by:		
Cash Receipts	A-2:A-4	\$ <u>50,300.62</u>
Balance, December 31, 2017	A	\$ <u><u>6.64</u></u>

"A-30"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR LIBRARY

	<u>REF.</u>	
Balance, December 31, 2016 and December 31, 2017	A	\$ <u>5,042.04</u>

"A-31"

SCHEDULE OF RESERVE FOR SNOW REMOVAL

Balance, December 31, 2016	A	\$ 60,378.14
Decreased by: Disbursements	A-4	<u>5,368.64</u>
Balance, December 31, 2017	A	\$ <u>55,009.50</u>

"A-32"

SCHEDULE OF RESERVE FOR SALARY INCREASES

Balance, December 31, 2017 and December 31, 2016	A	\$ <u>5,000.00</u>
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"A-33"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX MAPS

	<u>REF.</u>	
Balance, December 31, 2016	A	\$ <u>17,680.00</u>
Increased by:		
Transferred from Encumbrances Payable	A-24	\$ <u>57,320.00</u>
		\$ <u>75,000.00</u>
Decreased by:		
Cash Disbursements	A-4	\$ <u>39,684.46</u>
Balance, December 31, 2017	A	\$ <u><u>35,315.54</u></u>

"A-34"

SCHEDULE OF LIEN HELD BY MUNICIPALITY

Balance, December 31, 2017 and December 31, 2016	A	\$ <u><u>27,211.38</u></u>
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"A-35"

SCHEDULE OF P.I.L.O.T. REVENUE DUE FROM COUNTY

Balance, December 31, 2016 (Due From)	A	\$ 20,163.24
Decreased by:		
Refund of P.I.L.O.T. Revenue to County	A-4	\$ <u>12,097.85</u>
Balance, December 31, 2017 (Due From)	A	\$ <u><u>8,065.39</u></u>

"A-36"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR LAWSUIT

	<u>REF.</u>	
Balance, December 31, 2016	A	\$ 74,003.65
Decreased by:		
Anticipated in Current Budget	A-2	\$ <u>74,003.65</u>

"A-37"

SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

Increased by:		
Levy Calendar Year 2017	A-1:A-9	\$ <u>12,019.55</u>
Decreased by:		
Cash Disbursements	A-4	\$ <u>12,000.00</u>
Balance, December 31, 2017	A	\$ <u>19.55</u>

"A-38"

SCHEDULE OF RESERVE FOR COAH LEGAL FEES

Increased by:		
Transferred from Appropriation Reserves	A-13	\$ <u>18,170.49</u>
Balance, December 31, 2017	A	\$ <u>18,170.49</u>

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>ANIMAL CONTROL</u>	<u>OTHER</u>
Balance, December 31, 2016	B	\$ <u>5,374.40</u>	\$ <u>749,204.83</u>
Increased by:			
Animal Control Fees	B-8	\$ 4,539.00	\$
Community Development Block Grant	B-2		10,855.00
Due Current Fund	B-4	55.52	3,122.21
Cell Tower Deposits	B-18		80.25
Miscellaneous Trust Deposits	B-5		18,021.84
Unemployment Compensation Insurance	B-6		5,108.36
Builders Escrow	B-9		206,072.02
Redevelopment Escrow	B-11		85.01
Tax Sale Premiums	B-17		52,400.00
Zoning Escrow	B-10		15,915.84
Recreation Commission	B-12		225,957.12
Law Enforcement Trust Fund	B-13		248.45
Developers Housing Escrow	B-14		127,575.68
Police Off-Duty Pay	B-20		636,418.22
Payroll Deductions	B-19		2,036,038.56
Library	B-15		21,033.15
In Lieu of Construction	B-16		490.51
Municipal Open Space	B-21		12,000.09
		\$ <u>4,594.52</u>	\$ <u>3,371,422.31</u>
		\$ <u>9,968.92</u>	\$ <u>4,120,627.14</u>
Decreased by:			
Expenditures Under R.S.4:19-15.11	B-8	\$ 2,902.03	\$
Due Current Fund	B-4	54.41	3,282.81
Miscellaneous Trust Deposits	B-5		13,487.15
Unemployment Compensation Insurance	B-6		6,219.84
Community Development Block Grant Fund	B-7		10,122.05
Builders Escrow	B-9		106,217.04
Tax Sale Premiums	B-17		252,200.00
Zoning Escrow	B-10		16,788.60
Redevelopment Escrow	B-11		4,247.75
Recreation Commission	B-12		196,167.79
Developers Housing Escrow(COAH)	B-14		25,560.39
Police Off-Duty Pay	B-20		607,705.46
Payroll Deductions	B-19		2,036,219.33
Library Fund	B-15		15,764.38
Cell Towers	B-18		3,216.22
In Lieu of Construction	B-16		3,742.94
		\$ <u>2,956.44</u>	\$ <u>3,300,941.75</u>
Balance, December 31, 2017	B	\$ <u>7,012.48</u>	\$ <u>819,685.39</u>

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT RECEIVABLE

<u>PROGRAM</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>DUE FROM</u> <u>COUNTY OF UNION</u> <u>COMMUNITY</u> <u>DEVELOPMENT</u> <u>BLOCK GRANTS</u>	<u>DECREASED</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>
Handyman	\$ 35.00	\$ 1,000.00	\$ 35.00	1,000.00
Handyman	1,000.00		555.00	445.00
Handyman		10,300.00	160.00	10,140.00
Senior Citizen Program	10,105.00		10,105.00	
Senior Citizen Program				
	<u>\$ 11,140.00</u>	<u>\$ 11,300.00</u>	<u>\$ 10,855.00</u>	<u>\$ 11,585.00</u>

REF.

B

B-7

B

Cash Receipts

B-1

\$

10,855.00

"B-3"

BOROUGH OF FANWOOD

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

		BALANCE DECEMBER <u>31, 2017</u>
Cash Deficit	\$	(318.56)
Due Current Fund		<u>318.56</u>
	\$	<u><u>-0-</u></u>
	<u>REF.</u>	B

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	<u>ASSESSMENT FUND</u>	<u>ANIMAL CONTROL FUND</u>	<u>TRUST OTHER FUNDS</u>
Balance, December 31, 2016 (Due To)	B	\$ 318.56	\$ 5.39	15,224.19
Cash Receipts	B-1		55.52	3,122.21
Cash Disbursements	B-1	<u>                    </u>	<u>54.41</u>	<u>3,282.81</u>
Balance, December 31, 2017 (Due From)	B		\$ <u>4.28</u>	
(Due To)	B	\$ <u>318.56</u>		\$ <u>15,063.59</u>

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	81,801.04
Increased by:			
Cash Receipts	B-1		<u>18,021.84</u>
		\$	<u>99,822.88</u>
Decreased by:			
Cash Disbursements	B-1		<u>13,487.15</u>
Balance, December 31, 2017	B	\$	<u><u>86,335.73</u></u>

Analysis of Miscellaneous Trust Deposits is on file in the Treasurers Office.

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR UNEMPLOYMENT  
COMPENSATION INSURANCE

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	1,447.57
Increased by:			
Receipts	B-1		5,108.36
		\$	<u>6,555.93</u>
Decreased by:			
Disbursements	B-1		<u>6,219.84</u>
Balance, December 31, 2017	B	\$	<u><u>336.09</u></u>



BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR COMMUNITY DEVELOPMENT BLOCK GRANT

<u>PROGRAM</u>	BALANCE DECEMBER 31, 2016	DUE FROM COUNTY OF UNION- COMMUNITY DEVELOPMENT BLOCK GRANTS	DECREASED	BALANCE DECEMBER 31, 2017
Handyman Program	\$ 25.00 \$		25.00 \$	
Handyman Program	1,000.00		1,000.00	
Handyman Program		1,000.00	379.05	620.95
Senior Citizen Program	8,411.07		8,411.07	
Senior Citizen Program		10,300.00	306.93	9,993.07
	<u>\$ 9,436.07 \$</u>	<u>11,300.00 \$</u>	<u>10,122.05 \$</u>	<u>10,614.02</u>
<u>REF.</u>	B	B-2		B
Cash Disbursements			<u>\$ 10,122.05</u>	

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	5,379.79
Increased by:			
Dog License Fees		\$	3,590.00
Other Fees			<u>949.00</u>
	B-1		<u>4,539.00</u>
		\$	<u>9,918.79</u>
Decreased by:			
Expenditures Under R.S. 4:19-15.11:			
Cash Disbursements	B-1		<u>2,902.03</u>
Balance, December 31, 2017	B	\$	<u><u>7,016.76</u></u>

LICENSE FEES COLLECTED

<u>YEAR</u>	<u>AMOUNT</u>
2016	\$ 5,249.20
2015	<u>5,815.20</u>
	\$ <u><u>11,064.40</u></u>

"B-9"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR BUILDERS ESCROW

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	84,783.83
Increased by:			
Cash Receipts	B-1		<u>206,072.02</u>
		\$	<u>290,855.85</u>
Decreased by:			
Cash Disbursements	B-1		<u>106,217.04</u>
Balance, December 31, 2017	B	\$	<u><u>184,638.81</u></u>

"B-10"

SCHEDULE OF RESERVE FOR ZONING ESCROW

Balance, December 31, 2016	B	\$	14,582.72
Increased by:			
Cash Receipts	B-1		<u>15,915.84</u>
		\$	<u>30,498.56</u>
Decreased by:			
Cash Disbursements	B-1		<u>16,788.60</u>
Balance, December 31, 2017	B	\$	<u><u>13,709.96</u></u>

"B-11"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR REDEVELOPMENT ESCROW

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	6,244.33
Increased by:			
Cash Receipts	B-1		<u>85.01</u>
		\$	6,329.34
Decreased by:			
Cash Disbursements	B-1		<u>4,247.75</u>
Balance, December 31, 2017	B	\$	<u><u>2,081.59</u></u>

"B-12"

SCHEDULE OF RESERVE FOR RECREATION COMMISSION

Balance, December 31, 2016	B	\$	49,483.71
Increased by:			
Cash Receipts	B-1		<u>225,957.12</u>
		\$	275,440.83
Decreased by:			
Cash Disbursements	B-1		<u>196,167.79</u>
Balance, December 31, 2017	B	\$	<u><u>79,273.04</u></u>

"B-13"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUNDS

Balance, December 31, 2016	B	\$	13,137.32
Increased by:			
Cash Receipts	B-1		<u>248.45</u>
Balance, December 31, 2017	B	\$	<u><u>13,385.77</u></u>

"B-14"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS HOUSING ESCROW(COAH)

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	13,963.64
Increased by:			
Cash Receipts	B-1		<u>127,575.68</u>
		\$	<u>141,539.32</u>
Decreased by:			
Cash Disbursements	B-1		<u>25,560.39</u>
Balance, December 31, 2017	B	\$	<u><u>115,978.93</u></u>

"B-15"

SCHEDULE OF RESERVE FOR LIBRARY

Balance, December 31, 2016	B	\$	57,569.76
Increased by:			
Cash Receipts	B-1		<u>21,033.15</u>
		\$	<u>78,602.91</u>
Decreased by:			
Cash Disbursements	B-1		<u>15,764.38</u>
Balance, December 31, 2017	B	\$	<u><u>62,838.53</u></u>

"B-16"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR IN LIEU OF CONSTRUCTION

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	66,611.32
Increased by:			
Cash Receipts	B-1		490.51
		\$	<u>67,101.83</u>
Decreased by:			
Cash Disbursements	B-1		<u>3,742.94</u>
Balance, December 31, 2017	B	\$	<u><u>63,358.89</u></u>

"B-17"

SCHEDULE OF TAX SALE PREMIUMS AND REDEMPTIONS

Balance, December 31, 2016	B	\$	252,200.00
Increased by:			
Cash Receipts	B-1		52,400.00
		\$	<u>304,600.00</u>
Decreased by:			
Cash Disbursements	B-1		<u>252,200.00</u>
Balance, December 31, 2017	B	\$	<u><u>52,400.00</u></u>

"B-18"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR CELL TOWER DEPOSITS

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	16,725.01
Increased by:			
Cash Receipts	B-1		<u>80.25</u>
		\$	16,805.26
Decreased by:			
Cash Disbursements	B-1		<u>3,216.22</u>
Balance, December 31, 2017	B	\$	<u><u>13,589.04</u></u>

"B-19"

SCHEDULE OF PAYROLL DEDUCTIONS

Balance, December 31, 2016	B	\$	30,222.06
Increased by:			
Cash Receipts	B-1		<u>2,036,038.56</u>
		\$	2,066,260.62
Decreased by:			
Cash Disbursements	B-1		<u>2,036,219.33</u>
Balance, December 31, 2017	B	\$	<u><u>30,041.29</u></u>

"B-20"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR POLICE OFF-DUTY PAY

	<u>REF.</u>		
Balance, December 31, 2016	B	\$	46,912.26
Increased by:			
Cash Receipts	B-1		<u>636,418.22</u>
		\$	683,330.48
Decreased by:			
Cash Disbursements	B-1		<u>607,705.46</u>
Balance, December 31, 2017	B	\$	<u><u>75,625.02</u></u>

"B-21"

SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE

Increased by:			
Cash Receipts	B-1	\$	<u>12,000.09</u>
Balance, December 31, 2017	B	\$	<u><u>12,000.09</u></u>



BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2016	C		\$ 1,320,941.13
Increased by Receipts:			
Capital Improvement Fund	C-8	\$ 23,000.00	
Bond Anticipation Note	C-12	1,000,000.00	
Grants Receivable	C-13	202,750.00	
Due Current Fund	C-4	10,287.36	
Premium on Sale of Notes	C-1	<u>4,330.00</u>	
			<u>1,240,367.36</u>
			\$ <u>2,561,308.49</u>
Decreased by Disbursements:			
Reserve for Debt Service	C-14	\$ 110,723.88	
Contracts Payable	C-10	1,400,271.61	
Fund Balance Anticipated as Revenue	C-1	123,165.69	
Due Current Fund	C-4	<u>10,597.58</u>	
			<u>1,644,758.76</u>
Balance, December 31, 2017	C		\$ <u><u>916,549.73</u></u>

"C-3"

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH

	BALANCE DECEMBER <u>31, 2017</u>
Capital Fund Balance	\$ 4,330.00
Contracts Payable	854,959.12
Capital Improvement Fund	14,445.78
Improvement Authorizations Funded Set Forth on "C-9"	1,777,792.40
Improvement Authorizations Expended Set Forth on "C-7"	(602,983.32)
Unexpended Proceeds of Bond Anticipation Notes Set Forth on "C-7"	570,645.81
State Aid Receivable	(1,696,127.58)
Due from Scotch Plains - Fanwood Board of Education	(6,000.00)
Due Current Fund	<u>(512.48)</u>
	\$ <u><u>916,549.73</u></u>
<u>REF.</u>	C

"C-4"

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>		
Balance, December 31, 2016 (Due From)	C	\$	202.26
Increased by:			
Cash Disbursements	C-2	\$	<u>10,597.58</u>
			10,799.84
Decreased by:			
Cash Receipts	C-2		<u>10,287.36</u>
Balance, December 31, 2017 (Due From)	C	\$	<u><u>512.48</u></u>

"C-5"

SCHEDULE OF DUE FROM SCOTCH PLAINS - FANWOOD BOARD OF EDUCATION

Balance, December 31, 2017 and December 31, 2016	C	\$	<u><u>6,000.00</u></u>
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BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>REF.</u>		
Balance, December 31, 2016	C	\$	13,922,966.59
Decreased by:			
Bonds Paid by Budget	C-11	\$	715,000.00
Loan Paid by Budget	C-15		<u>77,209.86</u>
			<u>792,209.86</u>
Balance, December 31, 2017	C	\$	<u>13,130,756.73</u>

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2017	NOTES	ANALYSIS OF BALANCE DECEMBER 31, 2017		UNEXPENDED IMPROVEMENT AUTHORIZATIONS
				EXPENDITURES		
07-11/09-09	Various Capital Improvements	\$ 107,115.49		\$ 54,112.33		53,003.16
10-04	Various Capital Improvements	47,498.09				47,498.09
11-08	Various Capital Improvements	239,598.98				239,598.98
13-12-S	Various Capital Improvements	145,000.00	100,000.00			45,000.00
14-06	Various Capital Improvements	32,650.00	32,000.00			650.00
15-04-S	Various Capital Improvements	60,000.00	60,000.00			
15-08-S	Acquisition of Easement	2,517.23		2,517.23		
15-16-S	Improvements to Train Station	29,959.00				29,959.00
16-01-S	Various Capital Improvements	203,226.00				203,226.00
16-04-S	Various Capital Improvements	1,182,750.00	808,000.00			374,750.00
17-09-S	Various Capital Improvements	1,024,000.00		546,353.76		477,646.24
17-12-S	Improvements to Forest Road Park	273,750.00				273,750.00
17-13-S	Streetscape Improvements - South Ave.	199,500.00				199,500.00
17-14-S	Various Capital Improvements	231,120.00				231,120.00
		<u>\$ 3,778,684.79</u>	<u>\$ 1,000,000.00</u>	<u>\$ 602,983.32</u>		<u>\$ 2,175,701.47</u>
		C	C-12	C-3		
	Unexpended Improvement Authorizations-Unfunded				\$	2,746,347.28
	Less: Unexpended Proceeds of Bond Anticipation Notes					570,645.81
					\$	<u>2,175,701.47</u>

BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2016	C	\$	67,218.72
Increased by:			
2017 Appropriations	C-2	\$	23,000.00
Contracts Payable Cancelled	C-9		<u>927.06</u>
			23,927.06
		\$	<u>91,145.78</u>
Decreased by:			
Appropriation to Finance Improvement Authorizations	C-9		<u>76,700.00</u>
Balance, December 31, 2017	C	\$	<u><u>14,445.78</u></u>

BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2016		2017 AUTHORIZATIONS	PAID OR CHARGED	IMPROVEMENT AUTHORIZATIONS CANCELED	BALANCE DECEMBER 31, 2017	
				FUNDED	UNFUNDED				FUNDED	UNFUNDED
General Improvements:										
06-13/06-10	Various Capital Improvements	05/09/06	1,912,468.00 \$	52,361.70 \$			22,322.70 \$		30,039.00 \$	53,003.16
07-11/09-09	Various Capital Improvements	07/03/07	1,513,000.00	173,336.71	221,963.00		227,449.04	114,847.51		
07-21	Acquisition of Property	11/20/07	2,000,000.00	927.06				927.06		
10-04	Various Capital Improvements	06/07/10	2,050,000.00	52,508.39	319,625.00			272,126.91	52,508.39	47,498.09
11-08	Various Capital Improvements	06/14/11	1,363,582.00	30,153.95	253,915.00			14,316.02	30,153.95	239,598.98
12-07	Drainage Improvements	06/19/12	2,561,000.00							
12-11	Various Capital Improvements	08/21/12	1,680,000.00	30,834.29			7,000.00		23,834.29	
13-08-S	Site Remediation	05/21/13	350,000.00	42,275.95			32,740.00		9,535.95	
13-12-S	Various Capital Improvements	12/20/14	1,805,000.00		74,422.90		23,271.60			51,151.30
14-06	Various Capital Improvements	09/16/14	982,650.00		15,503.92		33.42		150,968.49	15,470.50
15-04-S	Various Capital Improvements	07/20/15	1,287,000.00	201,305.76	60,000.00		50,337.27		25,721.00	29,959.00
15-16-S	Improvements to Train Station	12/07/15	65,000.00	25,721.00	29,959.00				10,684.00	
15-17-S	Improvements to Forest Rd. Park	12/07/15	100,000.00	81,934.00			71,250.00		345,616.83	203,226.00
16-01-S	Various Capital Improvements	03/07/16	965,000.00	656,751.62	203,226.00		311,134.79		230,710.50	477,646.24
16-04-S	Various Capital Improvements	06/06/16	1,245,000.00		876,037.81		11,613.80		812,500.00	199,500.00
17-09-S	Various Capital Improvements	05/01/17	1,335,000.00				857,353.76		55,520.00	231,120.00
17-12-S	Improvements to Forest Road Park	08/07/17	505,000.00				539.50			
17-13-S	Streetscape Improvements - South Ave.	09/18/17	1,012,000.00							
17-14-S	Various Capital Improvements	12/18/17	286,640.00							
			\$	1,348,110.43 \$	2,054,652.63 \$	3,138,640.00 \$	1,615,045.88 \$	402,217.50 \$	1,777,792.40 \$	2,746,347.28
		REF.		C	C		C-10		C-C-3	C-C-7
	Capital Improvement Fund	C-8			\$	76,700.00				
	Grants Receivable	C-13			1,333,570.00					
	Deferred Charges Unfunded				1,728,370.00					
					\$	3,138,640.00				
	Capital Improvement Fund	C-8						927.06		
	Deferred Charges Unfunded							401,290.44		
								402,217.50		

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF CONTRACTS PAYABLE

	<u>REF.</u>	
Balance December 31, 2016	C	\$ 640,184.85
Increased by:		
Contracts Issued-Improvement Authorizations	C-9	<u>1,615,045.88</u>
		\$ <u>2,255,230.73</u>
Decreased by:		
Cash Disbursements	C-2	<u>1,400,271.61</u>
Balance December 31, 2017	C	\$ <u><u>854,959.12</u></u>



BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

PURPOSE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2017	INTEREST RATE	BALANCE DECEMBER 31, 2016	DECREASED	BALANCE DECEMBER 31, 2017
GENERAL IMPROVEMENTS	7/15/16	\$ 6,240,000.00	\$ 250,000.00	3.000%			
			7/15/18	3.000%			
			7/15/19	3.000%			
			7/15/20	4.000%			
			7/15/21	3.000%			
			7/15/22	3.000%			
			7/15/23	3.000%			
			7/15/24	3.000%			
			7/15/25	2.000%			
			7/15/26	2.000%			
			7/15/27	2.000%			
			7/15/28	2.000%			
			7/15/29	2.000%			
		7/15/30	2.000%				
		7/15/31	2.125%				
		7/15/32	2.250%				
		7/15/33	2.250%		\$ 6,240,000.00	\$ 5,990,000.00	
GENERAL IMPROVEMENTS	7/15/08	3,200,000.00	300,000.00	4.250%			
			7/15/19	4.250%			
			7/15/20	4.250%			
			7/15/21	4.350%			
			7/15/22	4.400%		2,250,000.00	1,950,000.00
GENERAL IMPROVEMENTS	8/15/13	4,600,000.00	170,000.00	3.250%			
			8/15/19	3.250%			
			8/15/20	3.250%			
			8/15/21	3.250%			
			8/15/22	3.500%			
			8/15/23	3.500%			
			8/15/24	3.500%			
			8/15/25	3.500%			
			8/15/26	3.500%			
			8/15/27	3.625%			
			8/15/28	3.750%			
			8/15/29	4.000%			
			8/15/30	4.125%			
			8/15/31	4.250%			
			8/15/32	4.250%			
			8/15/33	4.375%			
		8/15/34	4.500%				
		8/15/35	4.500%				
		8/15/36	4.500%		4,230,000.00	4,065,000.00	
					\$ 12,720,000.00	\$ 7,150,000.00	\$ 12,005,000.00

REF.

C

C-6

C

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORIGINAL NOTE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>INCREASED</u>	<u>BALANCE DECEMBER 31, 2017</u>
General Improvements:							
13-12	Various Capital Improvements	04/21/17	04/21/17	04/20/18	2.00%	\$ 100,000.00	\$ 100,000.00
14-06	Various Capital Improvements	04/21/17	04/21/17	04/20/18	2.00%	32,000.00	32,000.00
15-04	Various Capital Improvements	04/21/17	04/21/17	04/20/18	2.00%	60,000.00	60,000.00
16-04	Various Capital Improvements	04/21/17	04/21/17	04/20/18	2.00%	808,000.00	808,000.00
						\$ 1,000,000.00	\$ 1,000,000.00

REF.

C-2

C-C-7

BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND  
SCHEDULE OF GRANTS RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2016	C	\$ 565,307.58
Increased by:		
Grants Authorized	C-9	<u>1,333,570.00</u>
		\$ <u>1,898,877.58</u>
Decreased by:		
Cash Receipts	C-2	<u>202,750.00</u>
Balance, December 31, 2017	C	\$ <u><u>1,696,127.58</u></u>

BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND  
SCHEDULE OF RESERVE TO DEBT SERVICE

	<u>REF.</u>		
Balance, December 31, 2016	C	\$	110,723.88
Decreased by:			
Cash Disbursements	C-2	\$	<u>110,723.88</u>

BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND  
SCHEDULE OF NJEIT LOAN PAYABLE

	<u>REF.</u>	
Balance, December 31, 2016	C	\$ 1,202,966.59
Decreased by:		
Loan Paid by Budget	C-6	<u>77,209.86</u>
Balance, December 31, 2017	C	\$ <u><u>1,125,756.73</u></u>

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE	
		DECEMBER 31, 2017	
		<u>CAPITAL FUND</u>	<u>TRUST FUND</u>
General Improvements:			
07-11/09-09	Various Capital Improvements	\$ 107,115.49	\$
10-04	Various Capital Improvements	47,498.09	
11-08	Various Capital Improvements	239,598.98	
13-12-S	Various Capital Improvements	45,000.00	
14-06	Various Capital Improvements	650.00	
15-04-S	Various Capital Improvements		
15-08-S	Acquisition of Easement	2,517.23	
15-16-S	Improvements to Train Station	29,959.00	
16-01-S	Various Capital Improvements	203,226.00	
16-04-S	Various Capital Improvements	374,750.00	
17-09-S	Various Capital Improvements	1,024,000.00	
17-12-S	Improvements to Forest Road Park	273,750.00	
17-13-S	Streetscape Improvements - South Ave	199,500.00	
17-14-S	Various Capital Improvements	231,120.00	
Local Improvements:			
87-06	Install Curbing on Cray Terrace		<u>318.56</u>
		\$ <u>2,778,684.79</u>	\$ <u>318.56</u>
	Assessment Lien	\$	<u>318.56</u>
		\$	<u>318.56</u>

PART II

BOROUGH OF FANWOOD

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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

	<u>YEAR 2017</u>		<u>YEAR 2016</u>	
	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 750,000.00	2.04%	\$ 784,200.00	2.21%
Miscellaneous From Other Than Local Property				
Tax Levies	3,451,931.51	9.37%	2,938,208.05	8.28%
Collection of Delinquent Taxes and Tax Title Liens	106,002.02	0.29%	162,169.64	0.46%
Collection of Current Tax Levy	<u>32,532,901.65</u>	<u>88.31%</u>	<u>31,602,498.08</u>	<u>89.05%</u>
<u>Total Income</u>	<u>\$ 36,840,835.18</u>	<u>100.00%</u>	<u>\$ 35,487,075.77</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures	\$ 9,937,777.38	27.80%	\$ 9,827,457.50	28.32%
County Taxes	6,351,901.90	17.77%	6,219,011.94	17.92%
Regional High School Taxes	19,412,591.00	54.31%	18,554,568.00	53.47%
Municipal Open Space Taxes	12,019.55	0.03%		
Miscellaneous	<u>30,544.47</u>	<u>0.09%</u>	<u>97,075.39</u>	<u>0.28%</u>
<u>Total Expenditures</u>	<u>\$ 35,744,834.30</u>	<u>100.00%</u>	<u>\$ 34,698,112.83</u>	<u>100.00%</u>
Excess in Revenue	\$ 1,096,000.88		\$ 788,962.94	
Adjustment to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budgets of Succeeding Years			<u>150,000.00</u>	
Statutory Excess to Fund Balance	\$ 1,096,000.88		\$ 307,526.12	
Fund Balance, January 1	<u>1,167,190.64</u>		<u>1,012,427.70</u>	
	\$ 2,263,191.52		\$ 1,319,953.82	
Less: Utilization as Anticipated Revenue	<u>750,000.00</u>		<u>784,200.00</u>	
Fund Balance, December 31	<u>\$ 1,513,191.52</u>		<u>\$ 1,167,190.64</u>	



COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>14.242</u>	<u>13.813</u>	<u>13.242</u>
Apportionment of Tax Rate:			
Municipal	2.682	2.617	2.626
Municipal Library	0.171	0.166	0.160
Municipal Open Space	0.005		
County	2.767	2.707	2.566
Local School	8.617	8.323	7.890

ASSESSED VALUATIONS

2017	<u>\$229,139,317.00</u>		
2016		<u>\$229,253,309.00</u>	
2015			<u>\$228,374,604.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>YEAR</u>	<u>TAX LEVY</u>	<u>CURRENTLY</u>	
		<u>CASH</u> <u>COLLECTION</u>	<u>PERCENTAGE OF</u> <u>COLLECTIONS</u>
2017	\$32,694,320.58	\$32,532,901.65	99.51%
2016	\$31,741,435.15	\$31,602,498.08	99.56%
2015	\$30,359,402.63	\$30,164,874.16	99.36%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>YEAR</u>	<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2017	\$27,280.07	\$141,023.62	\$168,303.69	0.51%
2016	\$26,174.95	\$106,002.02	\$132,176.97	0.42%
2015	\$25,069.83	\$162,169.64	\$187,239.47	0.62%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2017	\$12,279.00
2016	\$12,279.00
2015	\$12,279.00

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
Current Fund	2017	\$1,513,191.52	\$1,093,000.00 *
	2016	1,164,690.64	750,000.00
	2015	1,005,532.74	784,200.00
	2014	1,132,522.63	690,000.00
	2013	971,600.44	515,433.00

\*per introduced Budget

## OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT</u>
Colleen Mahr	Mayor	*
Russell Huegel	Councilman	*
Jack Molenaar	Councilman	*
Katherine Mitchell	Councilwoman	*
Tom Kranz	Councilman	*
Erin McElroy Barker	Councilwoman	*
Kevin Boris	Councilman	*
Eleanor McGovern	Borough Clerk/Administrator	*
Frederick J. Tomkins	Chief Financial Officer	*
Patricia Celardo	Assistant Treasurer	*
Colleen Huehn	Tax Collector	*
Michael Ross	Tax Assessor	*
Antonios Panagopoulos	Borough Engineer	*
Daniel McCarthy	Borough Attorney	*
Daniel Antonelli	Prosecutor	*
Susan Macmullan	Magistrate	*
Joy Veeck	Court Administrator	*
Doreen Toffolo	Deputy Court Administrator	*
Richard Trigo	Chief Of Police	*
Bruce Helmstetter	Construction Code Official 1/1/17 - 2/28/17	*
Michael Wright	Construction Code Official 3/1/17 - 9/10/17	*
Frank Spallone	Construction Code Official 9/11/17 - Present	*

\* - \$1,000,000.00 Municipal Joint Insurance Fund Crime and Theft Policy

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COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

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 by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c.198 (C.40A:11-3), except by contract or agreement.

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00 or up to \$40,000.00 if the entity has a Qualified Purchasing Agent. Per Resolution 16-10-156, the Borough entered into an agreement with another municipality to provide Qualified Purchasing Agent Services effective October 17, 2016.

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

The minutes indicate that bids were requested by public advertising for the following items:

- Tree Services
- Telecommunications Tower
- Garbage Disposal
- Road and Sidewalk Improvements

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

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" as required by N.J.S.A. 40:11-14:

- Bond Counsel
- Auditor
- Engineering Services
- Attorney
- Insurance Consultant

In addition, purchases utilizing state contracts were made for the following:

- Ambulance

GENERAL COMMENTS (CONTINUED)

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

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

The governing body on January 17, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

The Collector of Taxes shall charge interest at the rate of eight (8%) percent per annum on the first \$1,500.00 of the delinquency, which term is defined in N.J.S.A. 54:4-67, and eighteen (18%) percent per annum on any amount of the delinquency, as that term is defined in N.J.S.A. 54:4-67, in excess of the \$1,500.00, to be calculated from the date the taxes and/or assessments were payable until the date that actual payment to the lien holder is next authorized; and the Tax Collector shall also charge a penalty of an additional six (6%) percent of the amount of the delinquency, as that term is defined by N.J.S.A. 54:4-67, to a taxpayer with such a delinquency in excess of \$10,000.00 and who fails to pay that delinquency prior to the end of the fiscal year. If such taxes and/or assessments are fully paid and satisfied by the holder of an outstanding tax sale certificate, such holders shall be entitled to receive the six (6%) percent penalty as part of the amount required to be paid by the taxpayer in order to redeem such tax sale certificate.

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing resolution.

VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

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

<u>TYPE</u>	
Payments of 2018 Taxes	25
Payments of 2017 Taxes	25
Delinquent Taxes	25

GENERAL COMMENTS (CONTINUED)

TAX TITLE LIENS

The last tax sale was held on June 21, 2017 and was complete.

An examination of the tax sale certificates revealed all certificates were on file and available for audit.

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

<u>YEARS</u>	<u>NUMBER OF LIENS</u>
2017	1
2016	1
2015	1

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

OTHER COMMENTS

Interfund Balances

Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year. It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

Encumbrance System

On a test check basis, we examined the paid claims of the various funds for proper signatures, approvals and authorizations, support documentation, correct extensions and applicability to account or appropriations charged. Our examination disclosed that several orders were placed prior to encumbrance of funds, and invoices and approval signatures were not always present.

General Ledger

Several adjustments needed to be made to the Current Fund General Ledger to properly reflect account balances.



## RECOMMENDATIONS

- \*That funds be encumbered prior to ordering of goods and services and all vouchers contain the required support documentation and approvals prior to their payments.
- \*That the Current Fund General Ledger be accurately maintained.

\*Prior Year Recommendations



