

**BOROUGH OF DUNELLEN  
COUNTY OF MIDDLESEX  
NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015 AND 2014**

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

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

**BOROUGH OF DUNELLEN**  
**MIDDLESEX COUNTY, NEW JERSEY**

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**MIDDLESEX COUNTY, NEW JERSEY**

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MIDDLESEX COUNTY, NEW JERSEY**

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BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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PART I  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS – REGULATORY BASIS

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

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

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

JO ANN BOOS, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Dunellen  
County of Middlesex, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Dunellen, County of Middlesex, New Jersey, as of and for the year ended December 31, 2015 and 2014, the statements of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for year ended December 31, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

#### Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Dunellen, County of Middlesex, New Jersey as of December 31, 2015 and 2014 and the related statements of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2015, on the basis of accounting described in Note 2.

#### Other Matters

##### Required Supplementary Information

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

Other Information

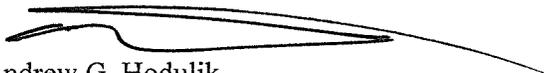
Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Dunellen, County of Middlesex, New Jersey. The information included in Part III – Supplementary Schedules and Part IV – Supplementary Data, as listed in the table of contents, are presented for purposes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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated September 8, 2016 on our consideration of the Borough of Dunellen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Dunellen's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

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

  
Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
September 8, 2016

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
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JO ANN BOOS, CPA, PSA

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NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Dunellen  
County of Middlesex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis, of the Borough of Dunellen as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough of Dunellen's financial statements and have issued our report thereon dated September 8, 2016. Our report was modified to reflect the departures from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statement presentations, and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

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

We noted other matters involving internal control over financial reporting that we have reported to management of the Borough of Dunellen in the General Comments section of the Report of Audit.

#### Purpose of this Report

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



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

Highland Park, New Jersey  
September 8, 2016

**HODULIK & MORRISON**

FINANCIAL STATEMENTS – REGULATORY BASIS



BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DEC. 31, 2015 AND 2014

|  | REF.    | 2015                 | 2014                 |
|--|---------|----------------------|----------------------|
| <u>REVENUE AND OTHER INCOME</u>                |         |                      |                      |
| Fund Balance Utilized                          | A-1,A-2 | \$ 410,000.00        | \$ 267,000.00        |
| Miscellaneous Revenue Anticipated              | A- 2    | 1,343,477.07         | 1,611,599.25         |
| Receipts from Delinquent Taxes                 | A- 2    | 354,237.15           | 331,387.64           |
| Receipts from Current Taxes                    | A- 2    | 17,314,496.12        | 16,850,959.98        |
| Non-Budget Revenue                             | A- 2    | 23,032.39            | 14,343.16            |
| Other Credits to Income:                       |         |                      |                      |
| Senior Citizen Allowed                         | A- 7    |                      | 250.00               |
| Unexpended Balance of Approp. Reserves         | A-10    | 84,345.21            | 74,281.43            |
| Cancel Accounts Payable                        | A-12    |                      | 40,000.00            |
| Cancel Grants Receivable/Reserve (Net)         | A-14    |                      | 3,088.54             |
| Statutory Excess Due to Current Fund           |         |                      |                      |
| - Animal Control Fund                          | A-14    | 1,562.40             | 2,008.80             |
| Interfunds Returned                            | A-14    |                      | 164,569.46           |
| Total Income                                   |         | <u>19,531,150.34</u> | <u>19,359,488.26</u> |
| <u>EXPENDITURES</u>                            |         |                      |                      |
| Budget Appropriations:                         |         |                      |                      |
| Operating                                      | A- 3    | 5,120,007.00         | 4,944,650.00         |
| Deferred Charges and                           |         |                      |                      |
| Statutory Expenditures                         | A- 3    | 659,120.00           | 626,245.00           |
| State and Federal Grants                       | A- 3    | 126,050.47           | 373,473.46           |
| Capital Improvements                           | A- 3    | 15,000.00            | 15,000.00            |
| Municipal Debt Service                         | A- 3    | 514,044.68           | 528,970.68           |
| Local District School Taxes                    | A-13    | 10,509,916.00        | 10,256,084.00        |
| County Taxes                                   | A-13    | 2,260,939.99         | 2,202,920.93         |
| Cancel Grants Receivable/Reserve (Net)         | A-14    | 15,917.93            |                      |
| Total Expenditures                             |         | <u>19,220,996.07</u> | <u>18,947,344.07</u> |
| Excess/(Deficit) in Revenues                   |         | 310,154.27           | 412,144.19           |
| Adj. to Income Before Fund Balance:            |         |                      |                      |
| Expend. Included Above Which are by Statute    |         |                      |                      |
| Deferred Charges to Budget of Succeeding Years | A       | <u>40,000.00</u>     |                      |
| Statutory Excess to Fund Balance               |         | 350,154.27           | 412,144.19           |
| <u>FUND BALANCE</u>                            |         |                      |                      |
| Balance - Jan. 1                               | A       | 603,622.59           | 458,478.40           |
| Decreased by:                                  |         |                      |                      |
| Utilized as Anticipated Revenue                | A-1     | <u>410,000.00</u>    | <u>267,000.00</u>    |
| Balance - Dec. 31                              | A       | <u>\$ 543,776.86</u> | <u>\$ 603,622.59</u> |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|  | REF.    | ANTICIPATED<br>2015<br>BUDGET | N.J.S.A.<br>40A:4-87 | REALIZED     | EXCESS OR<br>(DEFICIT) |
|--|---------|-------------------------------|----------------------|--------------|------------------------|
|  |         | \$                            | \$                   | \$           | \$                     |
| Surplus Anticipated                            |         | 410,000.00                    |                      | 410,000.00   | -                      |
| Total Surplus Anticipated                      | A-1     | 410,000.00                    |                      | 410,000.00   |                        |
| Miscellaneous Revenues:                        |         |                               |                      |              |                        |
| Licenses:                                      |         |                               |                      |              |                        |
| Alcoholic Beverages                            | A-9     | 6,500.00                      |                      | 6,516.00     | 16.00                  |
| Other  | A-9     | 11,000.00                     |                      | 10,497.00    | (503.00)               |
| Fees and Permits                               | A-9     | 48,000.00                     |                      | 33,347.09    | (14,652.91)            |
| Fines and Costs:                               |         |                               |                      |              |                        |
| Municipal Court                                | A-9     | 192,000.00                    |                      | 223,197.21   | 31,197.21              |
| Interest and Costs on Taxes                    | A-9     | 92,000.00                     |                      | 95,105.81    | 3,105.81               |
| Interest on Deposits                           | A-9     | 1,300.00                      |                      | 1,369.49     | 69.49                  |
| Cable TV Franchise Fees                        | A-9     | 26,830.00                     |                      | 26,830.00    | -                      |
| Consolidated Municipal Property Tax Relief Act | A-9     | 72,330.00                     |                      | 72,330.00    | -                      |
| Energy Receipts Tax                            | A-9     | 530,624.00                    |                      | 530,624.00   | -                      |
| Uniform Construction Code Fees                 | A-9     | 87,000.00                     |                      | 97,610.00    | 10,610.00              |
| Public and Private Revenues Off-Set            |         |                               |                      |              |                        |
| With Appropriations:                           |         |                               |                      |              |                        |
| Alcohol Education and Rehabilitation Fund      | A-14    |                               | 1,355.46             | 1,355.46     | -                      |
| Body Armor Grant                               | A-14    |                               | 1,847.11             | 1,847.11     | -                      |
| Clean Communities Program                      | A-14    |                               | 12,149.88            | 12,149.88    | -                      |
| Community Development Block Grant              | A-14    |                               | 75,945.00            | 75,945.00    | -                      |
| Drunk Driving Enforcement Fund                 | A-14    |                               | 6,356.77             | 6,356.77     | -                      |
| NJ Drive Sober or Get Pulled Over Grant        | A-14    | 2,250.00                      | 5,000.00             | 7,250.00     | -                      |
| Occupant Protection - Click It or Ticket       | A-14    | 3,350.00                      |                      | 3,350.00     | -                      |
| Pedestrian Safety Grant                        | A-14    |                               | 7,712.18             | 7,712.18     | -                      |
| Selective Enforcement Management               | A-14    | 4,775.00                      |                      | 4,775.00     | -                      |
| Solid Waste Admin - Recycling Tonnage Grant    | A-14    | 5,309.07                      |                      | 5,309.07     | -                      |
| Other Special Items:                           |         |                               |                      |              |                        |
| Dunellen Parking Authority- Lease Agreement    | A-9     | 50,000.00                     |                      | 50,000.00    | -                      |
| Reserve for Debt Service                       | A-14    | 38,000.00                     |                      | 38,000.00    | -                      |
| Reserve for Super Storm Sandy Relief           | A-12    | 32,000.00                     |                      | 32,000.00    | -                      |
| Total Miscellaneous Revenues                   | A-1     | 1,203,268.07                  | 110,366.40           | 1,343,477.07 | 29,842.60              |
| Receipts from Delinquent Taxes                 | A-1,A-8 | 350,000.00                    |                      | 354,237.15   | 4,237.15               |
| Subtotal General Revenues                      |         | 1,553,268.07                  | 110,366.40           | 1,697,714.22 | 34,079.75              |



BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | 2015<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |    | RESERVED | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|------------|----|----------|------------------------------------|
|   |                |                              |                    | ENCUMBERED |    |          |                                    |
| <u>Operations Within "CAPS"</u>                 |                |                              |                    |            |    |          |                                    |
| Administrative and Executive Salaries and Wages | \$ 48,583.00   | \$ 48,583.00                 | \$ 48,551.46       | \$         | \$ | \$ 31.54 | \$                                 |
| Other Expenses                                  | 3,000.00       | 4,000.00                     | 3,175.37           | 157.94     |    | 666.69   |                                    |
| Miscellaneous Other Expenses                    |                |                              |                    |            |    |          |                                    |
| Borough Clerk                                   | 48,583.00      | 48,583.00                    | 48,551.46          |            |    | 31.54    |                                    |
| Salaries and Wages                              | 6,300.00       | 6,800.00                     | 6,128.09           | 510.99     |    | 160.92   |                                    |
| Other Expenses                                  | 3,000.00       | 3,000.00                     | 2,815.20           |            |    | 184.80   |                                    |
| Legal Advertising                               |                |                              |                    |            |    |          |                                    |
| Elections                                       |                |                              |                    |            |    |          |                                    |
| Other Expenses                                  | 3,000.00       | 3,000.00                     | 2,378.42           |            |    | 621.58   |                                    |
| Financial Administration                        |                |                              |                    |            |    |          |                                    |
| Salaries and Wages                              | 77,285.00      | 77,285.00                    | 77,033.29          |            |    | 251.71   |                                    |
| Annual Audit                                    | 31,000.00      | 34,000.00                    |                    | 29,000.00  |    | 5,000.00 |                                    |
| Other Expenses                                  | 3,100.00       | 3,100.00                     | 3,100.00           |            |    |          |                                    |
| Mayor and Council                               |                |                              |                    |            |    |          |                                    |
| Salaries and Wages                              | 20,800.00      | 20,800.00                    | 19,173.16          |            |    | 1,626.84 |                                    |
| Other Expenses                                  | 6,800.00       | 6,800.00                     | 6,090.17           |            |    | 709.83   |                                    |
| Assessment of Taxes                             |                |                              |                    |            |    |          |                                    |
| Salaries and Wages                              | 15,000.00      | 15,000.00                    | 14,741.88          |            |    | 258.12   |                                    |
| Other Expenses                                  | 4,000.00       | 4,000.00                     | 2,279.84           | 30.00      |    | 1,690.16 |                                    |
| Collection of Taxes                             |                |                              |                    |            |    |          |                                    |
| Salaries and Wages                              | 37,000.00      | 37,000.00                    | 35,331.32          |            |    | 1,668.68 |                                    |
| Other Expenses                                  | 18,000.00      | 21,500.00                    | 20,990.30          |            |    | 509.70   |                                    |
| Legal Services and Costs                        |                |                              |                    |            |    |          |                                    |
| Salaries and Wages                              | 50,796.00      | 50,796.00                    | 49,994.91          |            |    | 801.09   |                                    |
| Other Expenses (Emergency - \$20,000)           | 9,000.00       | 29,000.00                    | 16,724.68          | 3,931.32   |    | 8,344.00 |                                    |
| Municipal Prosecutor                            |                |                              |                    |            |    |          |                                    |
| Salaries and Wages                              | 17,340.00      | 17,340.00                    | 17,337.40          |            |    | 2.60     |                                    |
| Engineering Services                            |                |                              |                    |            |    |          |                                    |
| Other Expenses (Emergency - \$20,000)           | 8,000.00       | 28,000.00                    | 26,060.85          | 553.75     |    | 1,385.40 |                                    |
| Postage   |                |                              |                    |            |    |          |                                    |
| Other Expenses                                  | 6,300.00       | 6,300.00                     | 5,758.37           |            |    | 541.63   |                                    |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | 2015<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |           | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|------------|-----------|------------------------------------|
|   |                |                              |                    | ENCUMBERED | RESERVED  |                                    |
| <u>Operations Within "CAPS" (Cont'd.)</u> |                |                              |                    |            |           |                                    |
| Public Buildings and Grounds              | \$ 7,400.00    | \$ 7,400.00                  | \$ 6,882.25        | \$         | \$ 517.75 |                                    |
| Salaries and Wages                        |                |                              |                    |            |           |                                    |
| Other Expenses:                           |                |                              |                    |            |           |                                    |
| Miscellaneous Other Expenses              | 56,000.00      | 64,500.00                    | 46,942.93          | 2,690.84   | 14,866.23 |                                    |
| Municipal Land Use Law (NJSA 40:55D)      |                |                              |                    |            |           |                                    |
| Planning Board                            |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 4,000.00       | 4,000.00                     | 1,650.00           |            | 2,350.00  |                                    |
| Other Expenses                            | 9,000.00       | 9,000.00                     | 6,456.80           | 787.50     | 1,755.70  |                                    |
| Municipal Court                           |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 123,420.00     | 118,420.00                   | 118,006.38         |            | 413.62    |                                    |
| Other Expenses                            | 16,000.00      | 16,000.00                    | 10,105.62          | 100.00     | 5,794.38  |                                    |
| Public Defender                           |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 500.00         | 500.00                       |                    |            | 500.00    |                                    |
| Information Technology                    |                |                              |                    |            |           |                                    |
| Other Expenses                            | 20,000.00      | 20,000.00                    | 13,469.99          | 3,025.38   | 3,504.63  |                                    |
| <u>PUBLIC SAFETY:</u>                     |                |                              |                    |            |           |                                    |
| Fire                                      |                |                              |                    |            |           |                                    |
| Other Expenses:                           |                |                              |                    |            |           |                                    |
| Fire Hydrant Service                      | 73,000.00      | 73,000.00                    | 66,811.25          |            | 6,188.75  |                                    |
| Misc. Other Expenses                      | 36,000.00      | 36,000.00                    | 34,427.89          | 1,318.00   | 254.11    |                                    |
| Police                                    |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 1,600,000.00   | 1,600,000.00                 | 1,595,050.42       |            | 4,949.58  |                                    |
| Regular                                   | 41,000.00      | 36,600.00                    | 28,938.06          |            | 7,661.94  |                                    |
| Overtime                                  |                |                              |                    |            |           |                                    |
| Other Expenses                            | 83,000.00      | 83,000.00                    | 78,221.39          | 2,093.36   | 2,685.25  |                                    |
| Misc. Other Expenses                      |                |                              |                    |            |           |                                    |
| School Crossing Guards                    | 58,000.00      | 58,000.00                    | 56,395.27          |            | 1,604.73  |                                    |
| Salaries and Wages                        | 19,000.00      | 19,000.00                    | 19,000.00          |            |           |                                    |
| Aid to Volunteer Ambulance Companies      |                |                              |                    |            |           |                                    |
| Emergency Management Services             |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 4,000.00       | 4,000.00                     | 2,833.30           |            | 1,166.70  |                                    |
| Emergency Vehicle Leases                  |                |                              |                    |            |           |                                    |
| Other Expenses                            | 32,000.00      | 29,000.00                    | 28,352.33          |            | 647.67    |                                    |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | 2015<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED    |             | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|-------------|-------------|------------------------------------|
|   |                |                              |                    | ENCUMBERED  | RESERVED    |                                    |
| Operations Within "CAPS" (Cont'd.)                      |                |                              |                    |             |             |                                    |
| <b>STREETS AND ROADS:</b>                               |                |                              |                    |             |             |                                    |
| Road Repairs and Maintenance                            |                |                              |                    |             |             |                                    |
| Salaries and Wages                                      | \$ 418,500.00  | \$ 424,500.00                | \$ 419,678.11      | \$ 5,223.40 | \$ 4,821.89 | \$ 4,821.89                        |
| Misc. Other Expenses                                    | 63,000.00      | 63,000.00                    | 55,198.48          |             | 2,578.12    | 2,578.12                           |
| Other Expenses-Leaf Bags                                | 20,000.00      | 20,000.00                    | 19,440.00          |             | 560.00      | 560.00                             |
| Tree Maintenance  |                |                              |                    |             |             |                                    |
| Other Expenses  | 36,000.00      | 37,000.00                    | 35,075.00          |             | 1,925.00    | 1,925.00                           |
| Shade Tree  |                |                              |                    |             |             |                                    |
| Other Expenses  | 2,000.00       | 2,000.00                     | 1,675.74           |             | 324.26      | 324.26                             |
| Transit Village   |                |                              |                    |             |             |                                    |
| Other Expenses  | 500.00         | 500.00                       | 498.51             |             | 1.49        | 1.49                               |
| <b>SANITATION:</b>                                      |                |                              |                    |             |             |                                    |
| Landfill/Solid Waste Disposal Costs                     |                |                              |                    |             |             |                                    |
| Other Expenses  | 20,000.00      | 20,000.00                    | 17,453.16          |             | 2,546.84    | 2,546.84                           |
| <b>HEALTH AND WELFARE:</b>                              |                |                              |                    |             |             |                                    |
| Board of Health   |                |                              |                    |             |             |                                    |
| Salaries and Wages                                      | 30,600.00      | 30,700.00                    | 30,658.76          |             | 41.24       | 41.24                              |
| Other Expenses  | 15,000.00      | 15,500.00                    | 11,939.21          | 3,450.00    | 110.79      | 110.79                             |
| Green Brook Flood Control Commission<br>(R.S. 40:14-16) |                |                              |                    |             |             |                                    |
| Share of Cost   | 500.00         | 500.00                       | 412.06             |             | 87.94       | 87.94                              |
| Insurance   |                |                              |                    |             |             |                                    |
| General Liability                                       | 244,000.00     | 244,000.00                   | 243,786.33         |             | 213.67      | 213.67                             |
| Employee Group Health                                   | 797,264.00     | 778,264.00                   | 754,286.53         |             | 23,977.47   | 23,977.47                          |
| Reserve for Tax Appeals                                 | 500.00         | 500.00                       |                    |             | 500.00      | 500.00                             |
| <b>RECREATION AND EDUCATION:</b>                        |                |                              |                    |             |             |                                    |
| Recreation Commission                                   |                |                              |                    |             |             |                                    |
| Salaries and Wages                                      | 40,800.00      | 41,800.00                    | 41,306.22          |             | 493.78      | 493.78                             |
| Other Expenses  | 15,000.00      | 15,000.00                    | 5,279.67           | 9,000.00    | 720.33      | 720.33                             |
| Sr. Citizens Activities                                 |                |                              |                    |             |             |                                    |
| Misc. Other Expenses                                    | 2,500.00       | 2,500.00                     | 2,181.99           | 36.05       | 281.96      | 281.96                             |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | 2015<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|------------|------------------------------------|
|   |                |                              |                    | ENCUMBERED | RESERVED                           |
| Operations Within "CAPS" (Cont'd.)  |                |                              |                    |            |                                    |
| UNIFORM CONSTRUCTION CODE-<br>APPROPS. OFFSET BY DEDICATED<br>REVENUES (NJAC 5:23-4.17) | \$ 68,000.00   | \$ 68,600.00                 | \$ 68,521.45       | \$ 112.02  | \$ 78.55                           |
| Construction Code Official<br>Salaries and Wages  | 3,000.00       | 3,000.00                     | 2,845.02           |            | 42.96                              |
| Other Expenses  |                |                              |                    |            |                                    |
| UNCLASSIFIED:   |                |                              |                    |            |                                    |
| Telephone   | 37,000.00      | 37,000.00                    | 33,642.22          |            | 3,357.78                           |
| Water   | 5,000.00       | 5,000.00                     | 4,652.63           |            | 347.37                             |
| Gasoline  | 41,000.00      | 56,000.00                    | 32,738.35          |            | 23,261.65                          |
| Natural Gas and Electricity   | 180,000.00     | 170,000.00                   | 149,352.64         |            | 20,647.36                          |
| Total Operations within "CAPS"  | 4,639,371.00   | 4,678,671.00                 | 4,450,382.13       | 62,020.55  | 166,268.32                         |
| Contingent  | 1,500.00       | 1,500.00                     |                    |            | 1,500.00                           |
| Total Operations Including Contingent<br>Within "CAPS"                                  | 4,640,871.00   | 4,680,171.00                 | 4,450,382.13       | 62,020.55  | 167,768.32                         |
| DETAIL:   |                |                              |                    |            |                                    |
| Salaries and Wages  | 2,711,107.00   | 2,709,407.00                 | 2,694,105.09       | 3,025.38   | 32,276.53                          |
| Other Expenses (Including Contingent)   | 1,929,764.00   | 1,970,764.00                 | 1,756,277.04       | 58,995.17  | 135,491.79                         |
| DEFERRED CHARGES AND<br>STATUTORY EXPENDITURES<br>MUNICIPAL WITHIN "CAPS"               |                |                              |                    |            |                                    |
| Statutory Expenditures  |                |                              |                    |            |                                    |
| Contribution to:  |                |                              |                    |            |                                    |
| Public Employees' Retirement System   | 122,043.00     | 122,043.00                   | 122,043.00         |            |                                    |
| Social Security System (O.A.S.I.)   | 140,000.00     | 140,000.00                   | 128,787.17         |            | 11,212.83                          |
| Defined Contribution Retirement Program   | 2,000.00       | 2,000.00                     | 853.40             |            | 1,146.60                           |
| Police and Firemen's Retirement System of N.J.  | 352,077.00     | 352,077.00                   | 352,077.00         |            |                                    |
| Unemployment Compensation Ins.  | 1,000.00       | 1,000.00                     |                    |            | 1,000.00                           |
| Total Deferred Charges and Statutory<br>Expend. Municipal Within "CAPS"                 | 617,120.00     | 617,120.00                   | 603,760.57         |            | 13,359.43                          |
| Total General Appropriations for<br>Municipal Purposes Within "CAPS"                    | 5,257,991.00   | 5,297,291.00                 | 5,054,142.70       | 62,020.55  | 181,127.75                         |

BOROUGH OF DIUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|  | 2015<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |              | UNEXPENDED<br>BALANCE<br>CANCELLED |
|--|----------------|------------------------------|--------------------|------------|--------------|------------------------------------|
|  |                |                              |                    | ENCUMBERED | RESERVED     |                                    |
| Operations Excluded from "CAPS"                      |                |                              |                    |            |              |                                    |
| Maintenance of Free Public Library                   | \$ 209,000.00  | \$ 209,000.00                | \$ 197,030.38      | \$         | \$ 11,969.62 | \$                                 |
| Employee Group Health (P.L. 2007, C.62)              | 6,536.00       | 6,536.00                     | 6,536.00           |            |              |                                    |
| Employee Group Health                                |                |                              |                    |            |              |                                    |
| Intergovernmental-County of Middlesex                | 84,000.00      | 84,000.00                    | 76,659.94          |            | 7,340.06     |                                    |
| Recycling-Other Expenses                             | 33,100.00      | 33,800.00                    | 33,733.68          |            | 66.32        |                                    |
| Health Services-Other Expenses                       | 106,500.00     | 106,500.00                   | 102,000.00         |            | 4,500.00     |                                    |
| Dispatch Service - Other Expenses                    |                |                              |                    |            |              |                                    |
| PUBLIC AND PRIVATE PROGRAMS                          |                |                              |                    |            |              |                                    |
| OFFSET BY REVENUES:                                  |                |                              |                    |            |              |                                    |
| Alcohol Education and Rehabilitation Fund            |                | 1,355.46                     | 1,355.46           |            |              |                                    |
| Body Armor Grant                                     |                | 1,847.11                     | 1,847.11           |            |              |                                    |
| Clean Communities Program                            |                | 12,149.88                    | 12,149.88          |            |              |                                    |
| Community Development Block Grant                    |                | 75,945.00                    | 75,945.00          |            |              |                                    |
| Drunk Driving Enforcement Fund                       |                | 6,356.77                     | 6,356.77           |            |              |                                    |
| NJ Drive Sober or Get Pulled Over                    | 2,250.00       | 7,250.00                     | 7,250.00           |            |              |                                    |
| Occupant Protection - Click It or Ticket             | 3,350.00       | 3,350.00                     | 3,350.00           |            |              |                                    |
| Pedestrian Safety Grant                              |                | 7,712.18                     | 7,712.18           |            |              |                                    |
| Selective Enforcement Management                     | 4,775.00       | 4,775.00                     | 4,775.00           |            |              |                                    |
| Solid Waste Administration - Recycling Tonnage Grant | 5,309.07       | 5,309.07                     | 5,309.07           |            |              |                                    |
| Total Operations - Excluded from "CAPS"              | 454,820.07     | 565,886.47                   | 542,010.47         |            | 23,876.00    |                                    |
| DETAIL:  |                |                              |                    |            |              |                                    |
| Salaries and Wages                                   |                | 6,356.77                     | 6,356.77           |            |              |                                    |
| Other Expenses                                       | 454,820.07     | 559,529.70                   | 535,653.70         |            | 23,876.00    |                                    |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|  | 2015<br>BUDGET  | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED     |               | UNEXPENDED<br>BALANCE<br>CANCELLED |
|--|-----------------|------------------------------|--------------------|--------------|---------------|------------------------------------|
|  |                 |                              |                    | ENCUMBERED   | RESERVED      |                                    |
| Capital Improvements - Excluded from "CAPS"                              |                 |                              |                    |              |               |                                    |
| Capital Improvement Fund   | \$ 15,000.00    | \$ 15,000.00                 | \$ 15,000.00       | \$           | \$            | \$                                 |
| Total Capital Improvements - Excluded from "CAPS"                        | 15,000.00       | 15,000.00                    | 15,000.00          |              |               |                                    |
| Municipal Debt Service - Excluded from "CAPS"                            |                 |                              |                    |              |               |                                    |
| Payment of Bond Anticipation Notes and Capital Notes                     | 57,800.00       | 57,800.00                    | 57,800.00          |              |               |                                    |
| Interest on Notes  | 5,390.00        | 5,390.00                     | 5,390.00           |              |               |                                    |
| Infrastructure Trust & Loan  | 122,125.00      | 122,125.00                   | 115,300.14         |              |               | 6,824.86                           |
| Capital Lease Obligations Approved Prior to 7/1/2007                     |                 |                              |                    |              |               |                                    |
| M.C.I.A.-Lease Payments - Principal                                      | 39,400.00       | 39,400.00                    | 39,396.86          |              |               | 3.14                               |
| M.C.I.A.-Lease Payments - Interest                                       | 1,600.00        | 1,600.00                     | 744.05             |              |               | 855.95                             |
| Capital Lease Obligations Approved After to 7/1/2007                     |                 |                              |                    |              |               |                                    |
| M.C.I.A.-Lease Payments - Principal                                      | 228,800.00      | 228,800.00                   | 228,713.63         |              |               | 86.37                              |
| M.C.I.A.-Lease Payments - Interest                                       | 66,700.00       | 66,700.00                    | 66,700.00          |              |               |                                    |
| Total Municipal Debt Service - Excluded from "CAPS"                      | 521,815.00      | 521,815.00                   | 514,044.68         |              |               | 7,770.32                           |
| Deferred Charges:  |                 |                              |                    |              |               |                                    |
| Special Emergency Authorizations   | 32,000.00       | 32,000.00                    | 32,000.00          |              |               |                                    |
| Deferred Charges to Future Taxation-Unfunded                             | 10,000.00       | 10,000.00                    | 10,000.00          |              |               |                                    |
| Total Deferred Charges-Municipal Excluded from "Caps"                    | 42,000.00       | 42,000.00                    | 42,000.00          |              |               |                                    |
| Total General Appropriations for Municipal Purposes Excluded from "CAPS" | 1,033,635.07    | 1,144,701.47                 | 1,113,055.15       |              | 23,876.00     | 7,770.32                           |
| Subtotal General Appropriations  | 6,291,626.07    | 6,441,992.47                 | 6,167,197.85       |              | 205,003.75    | 7,770.32                           |
| Reserve for Uncollected Taxes  | 480,000.00      | 480,000.00                   | 480,000.00         |              |               |                                    |
| Total General Appropriations   | \$ 6,771,626.07 | \$ 6,921,992.47              | \$ 6,647,197.85    | \$ 62,020.55 | \$ 205,003.75 | \$ 7,770.32                        |
|  |                 |                              | A-1                | A-1,A-11     | A,A-1         |                                    |
| Ref.   |                 |                              |                    |              |               |                                    |
| A-2  | \$              | 6,771,626.07                 |                    |              |               |                                    |
| A-15   |                 | 40,000.00                    |                    |              |               |                                    |
| A-2  |                 | 110,366.40                   |                    |              |               |                                    |
|  |                 | \$ 6,921,992.47              |                    |              |               |                                    |
| Reserve for Uncollected Taxes  |                 |                              | \$ 480,000.00      |              |               |                                    |
| Disbursed  |                 |                              | 5,926,347.38       |              |               |                                    |
| Reserve for State & Fed. Grants Approp.                                  |                 |                              | 126,050.47         |              |               |                                    |
| Capital Improvement Fund   |                 |                              | 15,000.00          |              |               |                                    |
| Deferred Charges to Future Taxation-Unfunded                             |                 |                              | 67,800.00          |              |               |                                    |
| Deferred Charges - Emergency Authorizations                              |                 |                              | 32,000.00          |              |               |                                    |
|  |                 |                              | \$ 6,647,197.85    |              |               |                                    |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

Exhibit - B

TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2015 AND 2014

| <u>ASSETS</u>                       | <u>REF.</u> | <u>BALANCE</u><br>DEC. 31,<br>2015 | <u>BALANCE</u><br>DEC. 31,<br>2014 | <u>REF.</u> | <u>BALANCE</u><br>DEC. 31,<br>2015 | <u>BALANCE</u><br>DEC. 31,<br>2014 |
|-------------------------------------|-------------|------------------------------------|------------------------------------|-------------|------------------------------------|------------------------------------|
| <b>Animal Control Fund:</b>         |             |                                    |                                    |             |                                    |                                    |
| Due from Current Fund               | B- 1        | \$ 4,891.20                        | \$ 4,594.00                        | B- 1        | \$ 4,891.20                        | \$ 4,594.00                        |
| Total Dog License Fund              |             | <u>4,891.20</u>                    | <u>4,594.00</u>                    |             | <u>4,891.20</u>                    | <u>4,594.00</u>                    |
| <b>Other Trust Fund:</b>            |             |                                    |                                    |             |                                    |                                    |
| Cash                                | B- 1        | 94,050.45                          | 73,421.90                          |             | 689,286.57                         | 471,189.11                         |
| Due from Current Fund               | B- 1        | 495,236.12                         | 297,767.21                         | B- 1        | 689,286.57                         | 471,189.11                         |
| Due from General Capital Fund       | B- 1        | <u>100,000.00</u>                  | <u>100,000.00</u>                  |             | <u>689,286.57</u>                  | <u>471,189.11</u>                  |
| Total Other Trust Fund              |             | <u>689,286.57</u>                  | <u>471,189.11</u>                  |             | <u>689,286.57</u>                  | <u>471,189.11</u>                  |
| <b>Public Assistance Trust Fund</b> |             |                                    |                                    |             |                                    |                                    |
| Cash                                | B- 1        | <u>3,280.58</u>                    | <u>3,280.58</u>                    | B- 1        | <u>3,280.58</u>                    | <u>3,280.58</u>                    |
|                                     |             | <u>\$ 697,458.35</u>               | <u>\$ 479,063.69</u>               |             | <u>\$ 697,458.35</u>               | <u>\$ 479,063.69</u>               |

Animal Control Fund:  
Res. for Animal Control Fund Expend.

Total Animal Control Fund

Other Trust Fund:  
Various Reserves

Total Other Trust Fund

Public Assistance Trust Fund  
Reserve for Expenditures

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2015 AND 2014

| <u>ASSETS</u>   | <u>REF.</u> | BALANCE<br>DEC. 31,<br><u>2015</u> | BALANCE<br>DEC. 31,<br><u>2014</u> |
|---|-------------|------------------------------------|------------------------------------|
| Due from Various Grantor Agencies                     | C- 3        | \$ 2,439,181.65                    | \$ 1,464,181.65                    |
| Due from Current Fund                                 | C- 6        | 429,915.58                         | 717,520.19                         |
| Deferred Charges to Future Taxation:                  |             |                                    |                                    |
| Funded  | C- 4        | 2,555,446.75                       | 2,921,809.35                       |
| Unfunded  | C- 5        | <u>3,774,382.12</u>                | <u>1,367,182.12</u>                |
|   |             | <u>\$ 9,198,926.10</u>             | <u>\$ 6,470,693.31</u>             |
| <br><u>LIABILITIES, RESERVES<br/>AND FUND BALANCE</u> |             |                                    |                                    |
| Due to Trust Other Fund                               | C- 6        | \$ 100,000.00                      | \$ 100,000.00                      |
| Bond Anticipation Notes                               | C- 9        | 625,400.00                         | 520,200.00                         |
| NJ Infrastructure Trust Loan Payable                  | C-10        | 430,000.00                         | 480,000.00                         |
| NJ Infrastructure Fund Loan Payable                   | C-11        | 338,745.40                         | 386,997.51                         |
| M.C.I.A. Lease Payable                                | C-12        | 1,786,701.35                       | 2,054,811.84                       |
| Reserve for Encumbrances Payable                      | C- 8        | 1,047,064.96                       | 111,524.30                         |
| Improvement Authorizations:                           |             |                                    |                                    |
| Funded  | C- 8        | 1,208,567.17                       | 1,580,661.47                       |
| Unfunded  | C- 8        | 2,312,179.72                       | 1,055,730.69                       |
| Capital Improvement Fund                              | C- 7        | 32,855.05                          | 62,855.05                          |
| Reserve for Payment of Future Debt Service            | C-13        | 39,557.48                          | 77,557.48                          |
| Reserve for Grants Receivable                         | C-14        | 1,237,500.00                       |                                    |
| Fund Balance  | C- 1        | <u>40,354.97</u>                   | <u>40,354.97</u>                   |
|   |             | <u>\$ 9,198,926.10</u>             | <u>\$ 6,470,693.31</u>             |
| <br>Bonds and Notes Authorized but not Issued         | <br>C-15    | <br><u>\$ 3,148,982.12</u>         | <br><u>\$ 846,982.12</u>           |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|                             | <u>REF.</u> |                     |
|-----------------------------|-------------|---------------------|
| Balance - December 31, 2014 | C           | \$ 40,354.97        |
| Balance - December 31, 2015 | C           | \$ <u>40,354.97</u> |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY FUND

BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2015 AND 2014

| ASSETS                                       | REF. | BALANCE<br>DEC. 31, 2015 | BALANCE<br>DEC. 31, 2014 | LIABILITIES, RESERVES<br>AND FUND BALANCE | REF.    | BALANCE<br>DEC. 31, 2015 | BALANCE<br>DEC. 31, 2014 |
|--|------|--------------------------|--------------------------|---|---------|--------------------------|--------------------------|
| <b>Operating Fund:</b>                       |      |                          |                          |   |         |                          |                          |
| Cash and Investments - Treasurer             | D-4  | \$ 124,105.84            | \$ 124,043.79            |   |         |                          |                          |
| Due from Current Fund                        | D-7  | 107,559.61               | 71,677.15                |   |         |                          |                          |
|  |      | <u>231,665.45</u>        | <u>195,720.94</u>        |   |         |                          |                          |
| <b>Receivables with Offsetting Reserves:</b> |      |                          |                          |   |         |                          |                          |
| Sewer Rents Receivable                       | D-5  | 128,260.74               | 119,663.75               |   |         |                          |                          |
| Sewer Liens Receivable                       | D-9  | 680.00                   | 680.00                   |   |         |                          |                          |
|  |      | <u>128,940.74</u>        | <u>120,343.75</u>        |   |         |                          |                          |
| Total Operating Fund                         |      | <u>360,606.19</u>        | <u>316,064.69</u>        |   |         |                          |                          |
| <b>Capital Fund:</b>                         |      |                          |                          |   |         |                          |                          |
| Fixed Capital                                | D-12 | 24,125,000.00            | 24,125,000.00            |   |         |                          |                          |
| Due from Sewer Utility Operating Fund        | D-10 | 60,000.00                | 30,000.00                |   |         |                          |                          |
|  |      | <u>24,185,000.00</u>     | <u>24,155,000.00</u>     |   |         |                          |                          |
| Total Capital Fund                           |      | <u>24,185,000.00</u>     | <u>24,155,000.00</u>     |   |         |                          |                          |
|  |      | <u>\$ 24,545,606.19</u>  | <u>\$ 24,471,064.69</u>  |   |         |                          |                          |
|  |      |                          |                          | Operating Fund:                           |         |                          |                          |
|  |      |                          |                          | Liabilities:                              |         |                          |                          |
|  |      |                          |                          | Appropriation Reserves                    | D-3,D-8 | \$ 41,979.08             | \$ 59,698.25             |
|  |      |                          |                          | Reserve for Encumbrances                  | D-3,D-8 | 11,653.48                | 21,840.00                |
|  |      |                          |                          | Sewer Rent Overpayments                   | D-6     | 724.93                   | 584.61                   |
|  |      |                          |                          | Due to Sewer Utility Capital Fund         | D-7     | <u>60,000.00</u>         | <u>30,000.00</u>         |
|  |      |                          |                          |   |         | <u>114,357.49</u>        | <u>112,122.86</u>        |
|  |      |                          |                          | Reserve for Receivables                   | Reserve | 128,940.74               | 120,343.75               |
|  |      |                          |                          | Fund Balance                              | D-1     | <u>117,307.96</u>        | <u>83,598.08</u>         |
|  |      |                          |                          | Total Operating Fund                      |         | <u>360,606.19</u>        | <u>316,064.69</u>        |
|  |      |                          |                          | Capital Fund:                             |         |                          |                          |
|  |      |                          |                          | Reserve for Amortization                  | D-13    | 24,125,000.00            | 24,125,000.00            |
|  |      |                          |                          | Capital Improvement Fund                  | D-11    | <u>60,000.00</u>         | <u>30,000.00</u>         |
|  |      |                          |                          | Total Capital Fund                        |         | <u>24,185,000.00</u>     | <u>24,155,000.00</u>     |
|  |      |                          |                          |   |         | <u>\$ 24,545,606.19</u>  | <u>\$ 24,471,064.69</u>  |

There were no Bonds and Notes Authorized but not Issued on December 31, 2015 or 2014.

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

| <u>REVENUE AND OTHER INCOME</u>        | <u>REF.</u> | <u>2015</u>           | <u>2014</u>           |
|--|-------------|-----------------------|-----------------------|
| Sewer User Fees                        | D- 2        | \$ 785,603.42         | \$ 786,008.28         |
| Miscellaneous Revenues Not Anticipated | D- 2        | 13,717.69             | 89.59                 |
| Other Credits to Income:               |             |                       |                       |
| Unexpended Balance of Approp. Reserves | D-8         | <u>18,988.77</u>      | <u>42,464.13</u>      |
| <br>Total Revenue                      |             | <br><u>818,309.88</u> | <br><u>828,562.00</u> |
| <br><u>EXPENDITURES</u>                |             |                       |                       |
| Operating:                             |             |                       |                       |
| Salaries and Wages                     | D- 3        | 15,000.00             | 15,000.00             |
| Other Expenses                         | D- 3        | 679,600.00            | 648,500.00            |
| Capital Improvements                   | D- 3        | <u>90,000.00</u>      | <u>90,000.00</u>      |
| <br>Total Expenditures                 |             | <br><u>784,600.00</u> | <br><u>753,500.00</u> |
| Excess in Revenues                     |             | 33,709.88             | 75,062.00             |
| <br><u>FUND BALANCE</u>                |             |                       |                       |
| Balance - Beginning of Year            | D           | <u>83,598.08</u>      | <u>8,536.08</u>       |
| Fund Balance - End of Year             | D           | <u>\$ 117,307.96</u>  | <u>\$ 83,598.08</u>   |

Note: See Notes to Financial Statements



BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY  
 SEWER UTILITY OPERATING FUND  
 STATEMENT OF EXPENDITURES - REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

|                                      | 2015<br><u>BUDGET</u> | <u>BUDGET AFTER<br/>MODIFICATION</u> | <u>PAID OR<br/>CHARGED</u> | <u>EXPENDED</u>     | <u>UNEXPENDED<br/>BALANCE<br/>CANCELLED</u> |
|--------------------------------------|-----------------------|--------------------------------------|----------------------------|---------------------|---|
|                                      |                       |                                      |                            | <u>ENCUMBERED</u>   | <u>RESERVED</u>                             |
| Operating:                           |                       |                                      |                            |                     |   |
| Salaries and Wages                   | \$ 15,000.00          | \$ 15,000.00                         | \$ 14,871.42               | \$                  | \$ 128.58                                   |
| Other Expenses                       | 679,600.00            | 679,600.00                           | 649,266.02                 | 11,653.48           | 18,680.50                                   |
| Capital Improvements:                |                       |                                      |                            |                     |   |
| Capital Improvement Fund             | 30,000.00             | 30,000.00                            | 30,000.00                  |                     | -   |
| Capital Outlay                       | 60,000.00             | 60,000.00                            | 36,830.00                  |                     | 23,170.00                                   |
|                                      | <u>\$ 784,600.00</u>  | <u>\$ 784,600.00</u>                 | <u>\$ 730,967.44</u>       | <u>\$ 11,653.48</u> | <u>\$ 41,979.08</u>                         |
| Ref.                                 | D-2                   | D-2                                  | D-1,D-7                    | D, D-1              | D, D-1                                      |
| Disbursed                            |                       |                                      | \$ 700,967.44              |                     |   |
| Interfund - Capital Improvement Fund |                       |                                      | <u>30,000.00</u>           |                     |   |
|                                      |                       |                                      | <u>\$ 730,967.44</u>       |                     |   |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY  
GOVERNMENTAL FIXED ASSET

STATEMENT OF GOVERNMENTAL FIXED ASSETS  
DECEMBER 31, 2015 AND 2014

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| GOVERNMENTAL FIXED ASSETS:               |                      |                      |
| Land                                     | \$ 829,500           | \$ 829,500           |
| Buildings and Improvements               | 1,142,300            | 1,142,300            |
| Machinery and Equipment                  | 1,691,080            | 1,519,851            |
| Furnitures and Fixtures                  | 258,835              | 258,240              |
| Vehicles                                 | <u>3,664,955</u>     | <u>2,772,955</u>     |
| Total Governmental Fixed Assets          | <u>\$ 7,586,670</u>  | <u>\$ 6,522,846</u>  |
| Investments in Governmental Fixed Assets | <u>\$ 7,586,670</u>  | <u>\$ 6,522,846</u>  |

See Accompanying Notes

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

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

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

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A:4-39, the financial transactions of the following funds and accounts are reported within the Trust Fund:

- Animal Control Trust Fund
- Unemployment Compensation Insurance Trust Fund
- Disposal of Forfeited Property (P.L. 1985, Ch. 135)
- Developer's Escrow Fund
- Uniform Fire Safety Act - Penalty Monies (N.J.S.A. 52:27D-192 et seq.)
- Municipal Alliance Program
- Outside Employment of Off-Duty Municipal Police Officers
- Public Defender Fees
- Recreation Trust

## NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

### B. Description of Funds (Cont'd.)

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

Sewer Utility Fund - resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Sewer Utility. The Borough's Sewer Utility was established by respective ordinances adopted by the governing body and the utility began its operations effective January 1, 2013.

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

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

### C. Basis of Accounting

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability.

Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets.

In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulated earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Borough records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources.

## NOTES TO FINANCIAL STATEMENTS

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets, with the exception of the Sewer Utility. Inventories for the respective years are presented on the balance sheet of the Sewer Utility Fund for information purposes only. These inventories were not considered in the cost of operations for the respective years and were not audited as part of this report. The value was determined by management and accepted as presented to us.

Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Contributions in aid of construction are not capitalized.

Governmental Fixed Assets - 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. Property and equipment acquired by the Sewer Utility Fund is recorded in its capital accounts at cost and is adjusted for dispositions and abandonment's. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility. Governmental fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and utilize an acquisition cost threshold, the maximum of which is \$5,000.00. Infrastructure assets are excluded from governmental fixed assets. Depreciation is not recorded in governmental fixed assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Disclosures About Pension Liabilities

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

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

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

Recent Accounting Standards

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. The adoption of these new standards will not adversely effect the reporting on the Borough's financial condition.

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB issued Statement No. 77, “Tax Abatement Disclosures” in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability.

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

GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants” in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

Comparative Data

Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough’s financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND REGULATORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's municipal debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

|  | <u>2015</u>            | <u>2014</u>            |
|--|------------------------|------------------------|
| <u>Issued:</u>   |                        |                        |
| General:   |                        |                        |
| Bonds & Notes  | \$ 625,400.00          | \$ 520,200.00          |
| Loans Payable  | <u>2,555,446.75</u>    | <u>2,921,809.35</u>    |
| Total Debt Issued  | <u>3,180,846.75</u>    | <u>3,442,009.35</u>    |
| <u>Authorized but not Issued:</u>                            |                        |                        |
| General:   |                        |                        |
| Bonds & Notes  | <u>3,148,982.12</u>    | <u>846,982.12</u>      |
| Net Bonds & Notes Issued<br>and Authorized but not<br>Issued | <u>\$ 6,329,828.87</u> | <u>\$ 4,288,991.47</u> |

Summarized below are the Borough's individual bond issues which were outstanding at December 31, 2015 and 2014

| <u>General Improvement Debt:</u>   | <u>2015</u>            | <u>2014</u>            |
|--|------------------------|------------------------|
| \$1,845,475 State of NJ - Environmental Infrastructure Loan<br>Aug. 1, 2003, interest at 3.00%-5.00% | \$ 768,745.40          | \$ 866,997.51          |
| \$2,462,767.39 M.C.I.A. Loan<br>May 3, 2012, interest at 1.25%-4.00%                                 | 1,786,701.35           | 2,015,414.98           |
| \$315,174.87 M.C.I.A. Loan<br>Aug. 15, 2005, interest at 3.00%-3.70%                                 | -                      | 39,396.86              |
| \$625,400.00, Bond Anticipation Note, mature on<br>June 16, 2016, interest at 0.92%                  | 625,400.00             |                        |
| \$520,200.00, Bond Anticipation Note, mature on<br>June 19, 2015, interest at 1.04%                  |                        | <u>520,200.00</u>      |
| Total Debt Issued and Outstanding  | <u>\$ 3,180,846.75</u> | <u>\$ 3,442,009.35</u> |

NOTES TO FINANCIAL STATEMENTS

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

| <u>2015</u>                | <u>Gross Debt</u>       | <u>Deductions</u>      | <u>Net Debt</u>        |
|----------------------------|-------------------------|------------------------|------------------------|
| Local School District Debt | \$ 7,930,000.00         | \$ 7,930,000.00        |                        |
| General Debt               | <u>6,329,828.87</u>     | <u>39,557.48</u>       | \$ <u>6,290,271.39</u> |
|                            | <u>\$ 14,259,828.87</u> | <u>\$ 7,969,557.48</u> | <u>\$ 6,290,271.39</u> |

Net Debt \$6,290,271.39 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$564,340,448.33 = 1.11%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

|  | <u>2015</u>                             |
|--|---|
| 3 1/2% of Equalized Valuation Basis Municipal Net Debt | \$ 19,751,915.69<br><u>6,290,271.39</u> |
| Remaining Borrowing Power                              | <u>\$ 13,461,644.30</u>                 |

| <u>2014</u>                | <u>Gross Debt</u>       | <u>Deductions</u>      | <u>Net Debt</u>        |
|----------------------------|-------------------------|------------------------|------------------------|
| Local School District Debt | \$ 8,350,000.00         | \$ 8,350,000.00        |                        |
| General Debt               | <u>4,288,991.47</u>     | <u>77,557.48</u>       | \$ <u>4,211,433.99</u> |
|                            | <u>\$ 12,638,991.47</u> | <u>\$ 8,427,557.48</u> | <u>\$ 4,211,433.99</u> |

Net Debt \$4,211,433.99 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$556,370,998.67 = 0.76%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

|  | <u>2014</u>                             |
|--|---|
| 3 1/2% of Equalized Valuation Basis Municipal Net Debt | \$ 19,472,984.95<br><u>4,211,433.99</u> |
| Remaining Borrowing Power                              | <u>\$ 15,261,550.96</u>                 |

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

C. Schedule of Annual Debt Service for Principal and Interest  
for New Jersey Environmental Infrastructure Loan at December 31, 2015

| <u>Year</u> | <u>State</u><br><u>Principal</u> | <u>Trust</u><br><u>Principal</u> | <u>Trust</u><br><u>Interest</u> | <u>Total</u>         |
|-------------|----------------------------------|----------------------------------|---------------------------------|----------------------|
| 2016        | \$ 49,886.12                     | \$ 55,000.00                     | \$ 21,325.00                    | \$ 126,211.12        |
| 2017        | 48,088.87                        | 55,000.00                        | 18,575.00                       | 121,663.87           |
| 2018        | 49,559.32                        | 60,000.00                        | 15,825.00                       | 125,384.32           |
| 2019        | 47,598.51                        | 60,000.00                        | 12,825.00                       | 120,423.51           |
| 2020        | 48,905.71                        | 65,000.00                        | 9,825.00                        | 123,730.71           |
| 2021        | 46,781.51                        | 65,000.00                        | 6,575.00                        | 118,356.51           |
| 2022        | 47,925.36                        | 70,000.00                        | 3,325.00                        | 121,250.36           |
|             | <u>\$ 338,745.40</u>             | <u>\$ 430,000.00</u>             | <u>\$ 88,275.00</u>             | <u>\$ 857,020.40</u> |

Schedule of Annual Debt Service for Principal and Interest  
for MCIA Loan at December 31, 2015

| <u>Year</u> | <u>Principal</u>       | <u>Interest</u>      | <u>Total</u>           |
|-------------|------------------------|----------------------|------------------------|
| 2016        | \$ 273,475.03          | \$ 56,204.80         | \$ 329,679.83          |
| 2017        | 278,379.28             | 48,000.55            | 326,379.83             |
| 2018        | 260,376.16             | 39,649.17            | 300,025.33             |
| 2019        | 270,791.20             | 29,234.13            | 300,025.33             |
| 2020        | 278,914.93             | 21,110.39            | 300,025.32             |
| 2021        | 225,000.00             | 12,742.94            | 237,742.94             |
| 2022        | 199,764.75             | 5,992.94             | 205,757.69             |
|             | <u>\$ 1,786,701.35</u> | <u>\$ 212,934.92</u> | <u>\$ 1,999,636.27</u> |

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balance for the Current Fund at December 31, 2015 was reported in the amount of \$543,776.86, of which \$379,000.00 was appropriated and included as anticipated revenue for the year ending December 31, 2016.

Fund balance for the Current Fund at December 31, 2014 was reported in the amount of \$603,622.59, of which \$410,000.00 was appropriated and included as anticipated revenue for the year ending December 31, 2015.

Note 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

|                        | Balance<br>December 31,<br><u>2014</u> | Amount in<br>2015<br><u>Budget</u> | Amount<br>Raised in<br><u>2015</u> | Balance<br>December 31,<br><u>2015</u> |
|------------------------|--|------------------------------------|------------------------------------|--|
| Current Fund:          |  |                                    |                                    |  |
| Special Emergency App. | \$96,000.00                            |                                    | \$32,000.00                        | \$64,000.00                            |
| Emergency App.         | <u>0.00</u>                            | <u>\$ 40,000.00</u>                | <u>0.00</u>                        | <u>40,000.00</u>                       |
| Total                  | <u>\$96,000.00</u>                     | <u>\$ 40,000.00</u>                | <u>\$32,000.00</u>                 | <u>\$104,000.00</u>                    |

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Deposits

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

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

NOTES TO FINANCIAL STATEMENTS

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

The Borough's deposits and investments at December 31, 2015 and 2014 were as follows:

|                              | <u>2015</u>           | <u>2014</u>           |
|------------------------------|-----------------------|-----------------------|
| Deposits, NOW & Money Market | \$2,327,446.91        | \$2,496,080.32        |
| Savings Certificate          | <u>0.00</u>           | <u>0.00</u>           |
|                              | <u>\$2,327,446.91</u> | <u>\$2,496,080.32</u> |

Based upon GASB criteria, the Borough considers change funds, cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At December 31, 2015, the book value of the Borough's cash, cash equivalents and investments was \$2,327,446.91, and bank balances of the Borough's deposits and investments amounted to \$2,539,499.90. Of the bank balance, \$250,000.00 was covered by Federal depository insurance and \$2,289,499.90 was covered under the provisions of NJGUDPA.

Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy. The New Jersey Cash Management Fund is not rated.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2014, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Borough's bank balance was considered exposed to custodial risk.

Concentration of Credit Risk – This is the risk associated with the amount of investments that the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

Based upon the existing deposit and investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments.

## NOTES TO FINANCIAL STATEMENTS

### Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

#### Investments

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

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

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2015, the Borough had no funds on deposit with the New Jersey Cash Management Fund.

NOTES TO FINANCIAL STATEMENTS

Note 7: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2015:

| <u>Fund</u>                  | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| Current Fund                 | \$                              | \$ 1,105,645.21              |
| Grant Fund                   | 68,042.70                       |                              |
| Animal Control Fund          | 4,891.20                        |                              |
| Trust Fund                   | 595,236.12                      |                              |
| General Capital Fund         | 429,915.58                      | 100,000.00                   |
| Sewer Utility Operating Fund | 107,559.61                      | 60,000.00                    |
| Sewer Utility Capital Fund   | <u>60,000.00</u>                | <u>                    </u>  |
| <br>Total                    | <br>\$ <u>1,265,645.21</u>      | <br>\$ <u>1,265,645.21</u>   |

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to (1) move revenues from the funds New Jersey Statute or budget requires to collect to collect to fund the appropriation and the statute or budget to expend them.

Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

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

Note 9. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period.

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

*Plan Membership and Contributing Employers*- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

|   |                |
|---|----------------|
| Inactive plan members or beneficiaries currently receiving benefits | 166,637        |
| Inactive plan members entitled to but not yet receiving benefits    | 703            |
| Active plan members   | <u>259,161</u> |
| Total   | <u>426,501</u> |

Contributing Employers – 1,710.

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

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

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

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

*Payrolls and Covered Wages:*

For the year ended December 31, 2015 the Borough's total payroll for all employees was \$3,055,111. Total PERS covered payroll was \$949,813. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. However, due to systems limitations, covered payroll includes only "pensionable" payroll as reported to PERS.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.06% for State fiscal year 2016, commencing July 1, 2015. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2014 and 2015 were \$119,483 and \$122,043, respectively. Borough Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2014 and 2015 consisted of the following:

|   | <u>2014</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
| Normal Cost                               | \$ 20,626         | \$ 19,248         |
| Amortization of Accrued Liability         | <u>90,684</u>     | <u>89,037</u>     |
| Total Pension                             | 111,310           | 108,285           |
| NCGI Premiums                             | <u>1,893</u>      | <u>7,334</u>      |
| Total Regular Billing                     | 113,203           | 115,619           |
| Additional Billings:<br>Ch. 19, P.L. 2009 | <u>6,280</u>      | <u>6,424</u>      |
| Total PERS Payment                        | <u>\$ 119,483</u> | <u>\$ 122,043</u> |

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

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

Note 9. PENSION PLANS (CONT'D.)

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

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

The following represents the membership tiers for PERS:

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

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

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

At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Local (Non-State) Employer Member Group. The Borough's proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the Borough was \$2,851,863 or 0.012704%. At June 30, 2014, the PERS reported a net pension liability of \$18,722,735,003 for its Local Employer Member Group. The Borough's proportionate share of the net pension liability for the Local Employer Member Group that was attributable to the Borough was \$2,625,839 or 0.014025%.

*Actuarial Assumptions*- The total pension liability in the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 that was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

|                              |                         |
|------------------------------|-------------------------|
| Inflation                    | 3.04%                   |
| Salary Increases (2012-2021) | 2.15-4.40% Based on age |
| Thereafter                   | 3.15-5.40% Based on age |
| Investment rate of return    | 7.90%                   |

Note 9. PENSION PLANS (CONT'D.)

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

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 5.00%                    | 1.04%   |
| U.S. Treasuries             | 1.75%                    | 1.64%   |
| Investment Grade Credit     | 10.00%                   | 1.79%   |
| Mortgages                   | 2.10%                    | 1.62%   |
| High Yield Bonds            | 2.00%                    | 4.03%   |
| Inflation-Indexed Bonds     | 1.50%                    | 3.25%   |
| Broad US Equities           | 27.25%                   | 8.52%   |
| Developed Foreign Equities  | 12.00%                   | 6.88%   |
| Emerging Market Equities    | 6.40%                    | 10.00%  |
| Private Equity              | 9.25%                    | 12.41%  |
| Hedge Funds/Absolute Return | 12.00%                   | 4.72%   |
| Real Estate (Property)      | 2.00%                    | 6.83%   |
| Commodities                 | 1.00%                    | 5.33%   |
| Global Debt ex US           | 3.50%                    | -0.40%  |
| REIT                        | 4.25%                    | 5.12%   |

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

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

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 4.90%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 average of the last five years of contributions made in relation to the last five years of 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS participating employers as of June 30, 2015, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

|                 | <u>At 1% Decrease</u><br><u>(3.90%)</u> | <u>At current discount rate</u><br><u>(4.90%)</u> | <u>At 1% increase</u><br><u>(5.90%)</u> |
|-----------------|---|---|---|
| State           | \$27,802,122,942                        | \$23,722,135,537                                  | \$20,314,768,782                        |
| Local           | <u>27,900,112,533</u>                   | <u>22,447,996,119</u>                             | <u>17,876,981,108</u>                   |
| PERS Plan Total | <u>\$55,702,235,457</u>                 | <u>\$46,170,131,656</u>                           | <u>\$38,191,749,890</u>                 |

*Components of Net Pension Liability* – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2015 is as follows:

|                             | <u>State</u>            | <u>Local</u>            | <u>Total</u>            |
|-----------------------------|-------------------------|-------------------------|-------------------------|
| Total Pension Liability     | \$31,614,118,524        | \$43,109,580,038        | \$74,723,698,562        |
| Plan Fiduciary Net Position | <u>7,891,982,987</u>    | <u>20,661,583,919</u>   | <u>28,553,566,906</u>   |
| Net Pension Liability       | <u>\$23,722,135,537</u> | <u>\$22,447,996,119</u> | <u>\$46,170,161,656</u> |

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

Note 9. PENSION PLANS (CONT'D.)

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

*Plan Membership and Contributing Employers-* Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

|   |                   |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 44,252            |
| Inactive plan members entitled to but not yet receiving benefits    | 51                |
| Active plan members   | <u>40,359</u>     |
| <br>Total   | <br><u>84,662</u> |

Contributing Employers – 585.

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

For the year ended December 31, 2015 the Borough's total payroll for all employees was \$3,055,111. Total PFRS covered payroll was \$1,421,185. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. However, due to systems limitations, covered payroll includes only "pensionable" payroll as reported to PFRS.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended June 30, 2014 and 2015 were \$327,762 and \$352,077, respectively. Borough Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PFRS for the years ending December 31, 2014 and 2015 consisted of the following:

|   | <u>2014</u>           | <u>2015</u>           |
|---|-----------------------|-----------------------|
| Normal Cost                               | \$ 112,868            | \$ 114,579            |
| Amortization of Accrued Liability         | <u>185,799</u>        | <u>204,465</u>        |
| <br>Total Pension                         | <br>298,667           | <br>319,044           |
| NCGI Premiums                             | <u>11,398</u>         | <u>14,983</u>         |
| <br>Total Regular Billing                 | <br>310,065           | <br>334,027           |
| Additional Billings:<br>Ch. 19, P.L. 2009 | <u>17,697</u>         | <u>18,050</u>         |
| <br>Total PFRS Payment                    | <br><u>\$ 327,762</u> | <br><u>\$ 352,077</u> |

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

Note 9. PENSION PLANS (CONT'D.)

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

The following represents the membership tiers for PFRS:

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

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

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

At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$7,457,279 or 0.044771%. At June 30, 2014, the PFRS reported a net pension liability of \$12,579,072,492 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$5,470,536 or 0.043489%.

*Actuarial Assumptions*- The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                              |                          |
|------------------------------|--------------------------|
| Inflation                    | 3.04%                    |
| Salary Increases (2012-2021) | 2.60-9.48% Based on age  |
| Thereafter                   | 3.60-10.48% Based on age |
| Investment rate of return    | 7.90%                    |

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

## Note 9. PENSION PLANS (CONT'D.)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 5.00%                    | 1.04%   |
| U.S. Treasuries             | 1.75%                    | 1.64%   |
| Investment Grade Credit     | 10.00%                   | 1.79%   |
| Mortgages                   | 2.10%                    | 1.62%   |
| High Yield Bonds            | 2.00%                    | 4.03%   |
| Inflation-Indexed Bonds     | 1.50%                    | 3.25%   |
| Broad US Equities           | 27.25%                   | 8.52%   |
| Developed Foreign Equities  | 12.00%                   | 6.88%   |
| Emerging Market Equities    | 6.40%                    | 10.00%  |
| Private Equity              | 9.25%                    | 12.41%  |
| Hedge Funds/Absolute Return | 12.00%                   | 4.72%   |
| Real Estate (Property)      | 2.00%                    | 6.83%   |
| Commodities                 | 1.00%                    | 5.32%   |
| Global Debt ex US           | 3.50%                    | -0.40%  |
| REIT                        | 4.25%                    | 5.12%   |

*Discount Rate* – The discount rate used to measure the pension liabilities of PFRS was 5.79%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 average of the last five years of 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 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 9. PENSION PLANS (CONT'D.)

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

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PFRS participating employers as of June 30, 2015, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

|                 | <u>At 1% Decrease</u><br><u>(4.79%)</u> | <u>At current discount rate</u><br><u>(5.79%)*</u> | <u>At 1% increase</u><br><u>(6.79%)</u> |
|-----------------|---|--|---|
| State           | \$ 5,169,538,395                        | \$ 4,293,672,366                                   | \$ 3,581,810,627                        |
| Local           | <u>23,884,266,996</u>                   | <u>18,117,234,618</u>                              | <u>13,414,734,988</u>                   |
| PFRS Plan Total | <u>\$29,053,805,391</u>                 | <u>\$22,410,906,984</u>                            | <u>\$16,996,545,615</u>                 |

\*- Local Share includes \$1,460,720,421 of Special Funding Situation allocated to the State of NJ as a non-employer.

*Components of Net Pension Liability* – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2015 is as follows:

|                             | <u>State</u>            | <u>Local</u>            | <u>Total</u>            |
|-----------------------------|-------------------------|-------------------------|-------------------------|
| Total Pension Liability     | \$ 6,053,301,057        | \$41,464,464,848        | \$47,517,765,905        |
| Plan Fiduciary Net Position | <u>1,759,628,691</u>    | <u>23,347,230,230</u>   | <u>25,106,858,921</u>   |
| Net Pension Liability       | <u>\$ 4,293,672,366</u> | <u>\$18,117,234,618</u> | <u>\$22,410,906,984</u> |

C. Defined Contribution Retirement System (DCRP)

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

*Plan Membership and Contributing Employers*- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2015, the membership in the DCRP, based on the information within the Division's database, was 36,808.

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

Note 9. PENSION PLANS (CONT'D.)

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

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

For the year ended December 31, 2015 the Borough's total payroll for all employees was \$3,055,111. Total DCRP covered payroll was \$22,641.12. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Borough and employee contributions to the DCRP for the year ended December 31, 2015 were \$679.29 and \$1,245.31, respectively.

Note 10: 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

Note 11: ACCRUED SICK AND VACATION BENEFITS

The Borough has established personnel policies via employee contracts and municipal ordinances, which set forth the terms under which an employee may accumulate unused benefits as follows:

Sick Leave - Sick leave shall accumulate at the rate of one (1) day per month up to a maximum of seven (7) days per year. Unused sick leave is forfeited upon separation from employment or retirement. The Borough police officers enrolled in the Police and Fire Retirement System (PFRS) are allotted an unlimited number of days up to one full year. Sick leave may not be accrued.

Vacations - Vacation pay for permanent employees accumulates in accordance with the approved schedules for one additional calendar year. Vacations days may be taken during the calendar year in which it is earned or in the first three (3) succeeding years. Unused vacation leave may be carried forward into the next succeeding year only with prior approval of the department head or appropriate committee. Any employee who has separated his/her employment may be paid the salary equivalent for vacation accrued.

## NOTES TO FINANCIAL STATEMENTS

### Note 11: ACCRUED SICK AND VACATION BENEFITS (CONT'D.)

Terminal Leave – Lieutenants hired as patrolmen prior to July 1, 2005 shall be entitled to 60 calendar days of terminal leave provided the employee has 20 years of service with the Borough of Dunellen and at least 25 years with the Police Fire Pension System. Sergeants hired as patrolmen prior to July 1, 2005 shall be eligible for 30 calendar days terminal leave provided the employee has at least 20 years service with the Borough of Dunellen and at least 25 years with the Police Fire Pension System. Patrolmen shall not be eligible for terminal leave. Sergeants and lieutenants hired as patrolmen after July 1, 2005 and promoted after July 1, 2005 must have at least 25 years with the Borough of Dunellen as well as 25 years in the Police Fire Pension System.

The Borough has permitted certain employees to accrue unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost of such unpaid sick and vacation pay would approximate \$55,068.88 for December 31, 2015. In addition, based on the above criteria, there are no individuals that qualify for terminal leave and qualify as being hired prior to July 1, 2005 and having 20 years of service with the Borough of Dunellen and have at least 25 years with the Police Fire Pension System. The above amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick, vacation and terminal leave benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

### Note 12: POST RETIREMENT HEALTH BENEFITS

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

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. In order to receive health benefits, retirees must have been enrolled in the pension system for 25 years. All active full time employees are covered by the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf).

## NOTES TO FINANCIAL STATEMENTS

### Note 12: POST RETIREMENT HEALTH BENEFITS (CONT'D.)

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

Cost sharing requirements for retirees are as follows:

1. Any eligible employee who was retired as of June 28, 2011 (the effective date of Ch. 78, P.L. 2011) is not required to contribute to the cost of benefits.
2. Active employees who had accrued 25 years of service at June 28, 2011 will not be required to contribute to the costs of benefits upon retirement.
3. Active employees who had accrued 20 years of service at June 28, 2011 will be required to contribute 1.5% of their retirement benefit towards the cost of post-retirement health benefits.
4. Active employees who had not accrued 20 years of service at June 28, 2011 will, upon retirement continue to pay the applicable percentage of health care costs as set forth in the law. However, retiree contributions will be based upon the retirement benefit rather than the final active salary.

The Borough of Dunellen contributions to SHBP for the year ended December 31, 2015 were \$311,404.26, which equaled the required contributions for the year. There were approximately 19 retired participants eligible at December 31, 2015.

### Note 13: DEFERRED COMPENSATION

The Borough has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

### Note 14: UTILITY FIXED CAPITAL/RESERVE FOR AMORTIZATION

With the adoption of Ordinance 2012-13, the Borough of Dunellen created a Sanitary Sewer Utility Fund. As a result of the new utility, an estimated value for fixed capital/reserve for amortization was calculated using replacement value cost. The estimated amount was calculated at \$24,125,000.

## NOTES TO FINANCIAL STATEMENTS

### Note 15: UTILITY FIXED CAPITAL/RESERVE FOR AMORTIZATION

With the adoption of Ordinance 2012-13, the Borough of Dunellen created a Sanitary Sewer Utility Fund. As a result of the new utility, an estimated value for fixed capital/reserve for amortization was calculated using replacement value cost. The estimated amount was calculated at \$24,125,000.

### Note 16: COMMITMENTS AND CONTINGENCIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2015, the Borough does not believe that any material liabilities will result from such audits.

#### Contractual Commitments

As of December 31, 2015 the Borough of Dunellen was a party to various construction contracts and commitments that totaled \$1,047,065. Dunellen Avenue Improvements with total commitments of \$31,704; Madison Avenue Improvements with total commitments of \$82,766; Culvert under Railroad with total commitments of \$3,143; Fire Pumper with total commitments of \$555,505; Vehicles for Police and DPW Departments with total commitments of \$74,712, Various Improvements with total commitments of \$72,627 and Streetscape Improvements with total commitments of \$226,608.

#### Litigation

As at the date of this report, the Borough has litigation pending. There are a number of tort claim notices served on the Borough involving negligence litigation. These claims have been turned over to the Borough's insurance carrier and no determination as to the outcome of these matters can be made at this time.

### Note 17: SUBSEQUENT EVENTS

Subsequent to December 31, 2015, the Borough issued Bond Anticipation Notes dated June 16, 2016 with a maturity date of June 16, 2017. The BAN's were issued for \$738,600 with an interest rate of 1.01%.

The Borough issued a Special Emergency Note dated June 16, 2016 with a maturity date of June 16, 2017. The Special Emergency Note was issued for \$85,000 with an interest rate of 1.01%.

The Borough appropriated \$118,250 therefor authorized the issuance of \$112,340 Bond and/or Notes dated June 16, 2016, for Various Capital Improvements.

The Borough appropriated \$415,000 therefor authorized the issuance of \$395,238 Bond and/or Notes dated June 16, 2016, for Parking Lot Improvements.

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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PART II  
REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF DUNELLEN  
 SCHEDULE OF THE BOROUGH'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

|  | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Borough's Proportion of the<br>Net Pension Liability   | 0.015024%   | 0.014025%   | 0.012704%   |
| Borough's Proportionate Share of the<br>Net Pension Liability  | \$2,871,391 | \$2,625,839 | \$2,851,863 |
| Borough's Covered-Employee<br>Payroll  | \$912,201   | \$930,817   | \$ 949,813  |
| Borough's Proportionate Share of the<br>Net Pension Liability as a percentage<br>of the Covered-Employee Payroll | 314.78%     | 282.10%     | 300.26%     |
| Plan Fiduciary Net Position as a<br>percentage of the Total Pension<br>Liability                                 | 40.71%      | 42.74%      | 38.21%      |

\* Amounts presented for each fiscal year were determined as of June 30.

BOROUGH OF DUNELLEN  
 SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

|  | <u>2014</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| Contractually Required Contribution                                | \$ 119,483          | \$ 122,043          |
| Contribution in Relation to<br>Contractually Required Contribution | <u>\$ (119,483)</u> | <u>\$ (122,043)</u> |
| Contribution deficiency (excess)                                   | \$ -                | \$ -                |
| Borough's Proportionate Share of the<br>Payroll                    | \$ 930,817          | \$ 949,813          |
| Contributions as a percentage of<br>Covered Employee Payroll       | 12.84%              | 12.85%              |

\* Amounts presented for each fiscal year were determined as of June 30.

BOROUGH OF DUNELLEN  
 SCHEDULE OF THE BOROUGH'S SHARE OF THE NET PENSION LIABILITY  
POLICE AND FIREMEN RETIREMENT SYSTEM  
 (Non-State, Non-Special Funding Situation Employer Member Group)

|  | <u>Last 10 Fiscal Years*</u> |             |              |
|--|------------------------------|-------------|--------------|
|  | <u>2013</u>                  | <u>2014</u> | <u>2015</u>  |
| Proportion of the Non-State, Non-Special Funding Situation Employer Group Net Pension Liability attributable to the Borough  | 0.042499%                    | 0.043489%   | 0.044771%    |
| Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group   | \$5,649,890                  | \$5,470,536 | \$7,457,279  |
| Borough's Covered-Employee Payroll   | \$1,364,906                  | \$1,392,761 | \$ 1,421,185 |
| Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group as a percentage of the Borough's Covered-Employee Payroll | 413.94%                      | 392.78%     | 524.72%      |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)  | 55.65%                       | 58.86%      | 52.84%       |

\* Amounts presented for each fiscal year were determined as of June 30.

Note: Percentages shown are Plan-wide, and include NPL and PFNP data that include employees of the State of New Jersey.

BOROUGH OF DUNELLEN  
 SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS  
POLICE AND FIREMEN RETIREMENT SYSTEM  
 (Non-State, Non-Special Funding Situation Employer Member Group)

Last 10 Fiscal Years\*

|  | <u>2014</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| Contractually Required Contribution                                | \$ 327,762          | \$ 352,077          |
| Contribution in Relation to<br>Contractually Required Contribution | <u>\$ (327,762)</u> | <u>\$ (352,077)</u> |
| Contribution deficiency (excess)                                   | \$ -                | \$ -                |
| Borough's Proportionate Share of the<br>Payroll                    | \$ 1,392,761        | \$ 1,421,185        |
| Contributions as a percentage of<br>Covered Employee Payroll       | 23.53%              | 24.77%              |

\* Amounts presented for each fiscal year were determined as of June 30.

**BOROUGH OF DUNELLEN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**DECEMBER 31, 2015**

**NOTE 1. CHANGES IN ASSUMPTIONS**

Changes in Assumptions were applicable for current fiscal year.

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY



PART III  
SUPPLEMENTAL SCHEDULES

CURRENT FUND

SCHEDULE OF CURRENT FUND CASH  
AND INVESTMENTS - TREASURER

|                                 | <u>REF.</u> |                   |                               |
|---------------------------------|-------------|-------------------|-------------------------------|
| Balance - December 31, 2014     | A           |                   | \$ 2,295,234.05               |
| Increased by Receipts:          |             |                   |                               |
| Due from State of N.J. - Ch. 73 |             |                   |                               |
| P.L. 1976                       | A- 7        | 47,250.00         |                               |
| Taxes Receivable                | A- 8        | 17,562,378.45     |                               |
| Prepaid Taxes                   | A- 8        | 48,025.25         |                               |
| Revenue Accounts Receivable     | A- 9        | 1,170,458.99      |                               |
| Various Payables                | A-12        | 4,716.00          |                               |
| Various Reserves                | A-12        | 202,935.06        |                               |
| Interfunds Payable Received     | A-14        | 1,561,827.08      |                               |
| Interfunds Receivable Received  | A-15        | <u>799,740.81</u> |                               |
|                                 |             |                   | <u>21,397,331.64</u>          |
|                                 |             |                   | 23,692,565.69                 |
| Decreased by Disbursements:     |             |                   |                               |
| Budget Appropriations           | A- 3        | 5,926,347.38      |                               |
| Appropriation Reserves          | A-10        | 147,197.29        |                               |
| Various Payables                | A-12        | 19,648.76         |                               |
| Various Reserves                | A-12        | 196,219.33        |                               |
| Local District School Tax       | A-13        | 10,509,916.00     |                               |
| County Taxes                    | A-13        | 2,086,967.64      |                               |
| County Open Space Taxes         | A-13        | 170,294.71        |                               |
| County Added Taxes              | A-13        | 3,677.64          |                               |
| Interfunds Payable Disbursed    | A-14        | 1,762,528.55      |                               |
| Interfunds Receivable Disbursed | A-15        | <u>763,858.35</u> |                               |
|                                 |             |                   | <u>21,586,655.65</u>          |
| Balance - December 31, 2015     | A           |                   | <u><u>\$ 2,105,910.04</u></u> |

SCHEDULE OF CURRENT CASH AND RECONCILIATION  
PER N.J.S.A. 40A:5-5 - TREASURER

The reconciliation per compliance with N.J.S.A. 40A:5-5 are on file with the Chief Financial Officer of the Borough.

SCHEDULE OF CHANGE FUNDS - COLLECTOR  
CURRENT FUND

|                             | <u>REF.</u> |                  |
|-----------------------------|-------------|------------------|
| Balance - December 31, 2014 | A           | \$ 100.00        |
| Balance - December 31, 2015 | A           | <u>\$ 100.00</u> |

SCHEDULE OF DUE FROM STATE OF NEW JERSEY  
 FOR SENIOR CITIZENS AND VETERANS DEDUCTIONS  
PER CHAPTER 73, P.L. 1976

|   | <u>REF.</u> |                            |
|---|-------------|----------------------------|
| Balance - December 31, 2014                                   | A           | \$ 61,122.30               |
| Increased by:   |             |                            |
| Sr. Cit. & Veteran's Deds. Allowed per<br>Tax Billings - 2015 | A- 7        | 46,250.00                  |
| 2015 Sr. Citizen & Vet. Deduct. Allowed                       | A- 7        | <u>250.00</u>              |
|   |             | <u>46,500.00</u>           |
|   |             | 107,622.30                 |
| Decreased by:   |             |                            |
| Collection  | A- 4        | <u>47,250.00</u>           |
| Balance - December 31, 2015                                   | A           | <u><u>\$ 60,372.30</u></u> |

Analysis of Realized Revenues for 2015

|                                       |      |                            |
|---------------------------------------|------|----------------------------|
| Sr. Cit. & Veterans Deds. Allowed by: |      |                            |
| Per Tax Billings - 2015               | A- 7 | \$ 46,250.00               |
| By Collector - 2015 Taxes             | A- 7 | <u>250.00</u>              |
| Amount Realized as Revenue - 2015     | A-8  | <u><u>\$ 46,500.00</u></u> |

CURRENT FUND  
SCHEDULE OF PROPERTY TAXES RECEIVABLE AND LEVY ANALYSIS

|  | Ref. | 2016             | 2015            | 2014             | Tax                            | Tax           | Property              |
|--|------|------------------|-----------------|------------------|--------------------------------|---------------|-----------------------|
|  |      | Prepaid          | Current         | Delinquent       | Overpayments                   | Liens         | Acquired<br>for Taxes |
| Balance 12/31/2014.....                    | A    | \$ 378,334.37    | \$ (57,795.91)  | \$ 355,376.78    | \$ (55,799.25)                 | \$ 18,552.75  | \$ 118,000.00         |
| <b>Billings / Levy:</b>                    |      |                  |                 |                  |                                |               |                       |
| Original Levy.....                         | A-8  | 17,576,692.48    | 17,576,692.48   |                  |                                |               |                       |
| Added & Omitted.....                       | A-8  | 28,635.00        | 28,635.00       |                  |                                |               |                       |
| Added by Assessor.....                     | A-8  | 5,220.08         | 5,220.08        |                  |                                |               |                       |
| Canceled Taxes.....                        | A-8  | (4,429.02)       | (3,289.39)      | (1,139.63)       |                                |               |                       |
| Transfers                                  |      |                  |                 |                  |                                |               |                       |
| Tax Lien.....                              | A-8  | -                |                 |                  |                                |               |                       |
| <b>Revenue</b>                             |      |                  |                 |                  |                                |               |                       |
| Sr.Citizens & Vets.....                    |      |                  |                 |                  |                                |               |                       |
| Original Levy.....                         | A-7  | (46,250.00)      | (46,250.00)     |                  |                                |               |                       |
| Allowed/Disallowed.....                    | A-7  | (250.00)         | (250.00)        |                  |                                |               |                       |
| Cash Receipts.....                         | A-4  | (17,610,403.70)  | (17,210,200.21) | (352,178.24)     |                                |               |                       |
| Transferred from Overpayments.....         | A-7  | -                | 57,795.91       | (2,058.91)       | 2,058.91                       |               |                       |
| Prepaid Applied.....                       | A-8  | -                |                 |                  |                                |               |                       |
| Balance 12/31/2015.....                    | A    | \$ 327,549.21    | \$ (48,025.25)  | \$ -             | \$ (53,740.34)                 | \$ 18,552.75  | \$ 118,000.00         |
| <b>Analysis of 2015 Property Tax Levy:</b> |      |                  |                 |                  |                                |               |                       |
| Tax Yield:                                 | Ref. |                  |                 |                  |                                |               |                       |
| General Purpose Tax                        |      |                  |                 |                  |                                |               |                       |
| Added Taxes                                |      |                  |                 |                  |                                |               |                       |
|  |      | \$ 17,576,692.48 | Ref. A-13       | \$ 10,509,916.00 | Current Taxes Realized:        | Ref. A-7, A-8 | \$ 46,500.00          |
|  |      | 28,635.00        | A-13            | 2,086,967.64     | Sr. Citizens & Vets            | A-8           | 17,210,200.21         |
|  |      |                  | A-13            | 170,294.71       | Cash Receipts                  | A-8           | 57,795.91             |
|  |      | \$ 17,605,327.48 | A-13            | 3,677.64         | Prepayments                    | A-8           | -                     |
|  |      |                  |                 |                  | Tax Overpayments Applied       |               | 17,314,496.12         |
|  |      |                  |                 | \$12,770,855.99  | Less: Reserve for Tax Appeals  |               |                       |
|  |      |                  |                 | 4,621,542.00     | Subtotal                       | A-1           | 17,314,496.12         |
|  |      |                  |                 | 186,816.00       | Res. For Uncoll. Tax           | A-3           | 480,000.00            |
|  |      |                  |                 | 26,113.49        | Allocated to School and County |               | 17,794,496.12         |
|  |      |                  |                 | \$ 17,605,327.48 |                                | A-13          | (12,770,855.99)       |
|  |      |                  |                 |                  |                                | A-2           | \$ 5,023,640.13       |

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Exhibit - A-9

|   | <u>REF.</u> | <u>BALANCE<br/>DEC. 31, 2014</u> | <u>ACCRUED<br/>2015</u> | <u>COLLECTED</u>       | <u>BALANCE<br/>DEC. 31, 2015</u> |
|---|-------------|----------------------------------|-------------------------|------------------------|----------------------------------|
| By Revenue Type:                              |             |                                  |                         |                        |                                  |
| Miscellaneous Revenues:                       |             |                                  |                         |                        |                                  |
| Alcoholic Beverages                           | A-2         | \$                               | 6,516.00                | \$ 6,516.00            | \$                               |
| Licenses - Other                              | A-2         |                                  | 10,497.00               | 10,497.00              |                                  |
| Fees and Permits                              | A-2         |                                  | 33,347.09               | 33,347.09              |                                  |
| Municipal Court:                              |             |                                  |                         |                        |                                  |
| Fines and Costs                               | A-2         | 14,153.77                        | 223,108.97              | 223,197.21             | 14,065.53                        |
| Interest and Costs on Taxes                   | A-2         |                                  | 95,105.81               | 95,105.81              |                                  |
| Interest on Investments and Deposits          | A-2         |                                  | 1,369.49                | 1,369.49               |                                  |
| Cable TV Franchise Fees                       | A-2         |                                  | 26,830.00               | 26,830.00              |                                  |
| Consol. Mun. Property Tax Relief Act          | A-2         |                                  | 72,330.00               | 72,330.00              |                                  |
| Energy Receipts Tax                           | A-2         |                                  | 530,624.00              | 530,624.00             |                                  |
| Uniform Construction Code Fees                | A-2         |                                  | 97,610.00               | 97,610.00              |                                  |
| Parking Authority Contribution                | A-2         |                                  | 50,000.00               | 50,000.00              |                                  |
| Miscellaneous Revenue Not Anticipated:        |             |                                  |                         |                        |                                  |
| Sr. Citizens & Vet. Admin. Fee                | A-2         |                                  | 945.00                  | 945.00                 |                                  |
| Recycling Tonnage/Absolute Auto/Colgate paper | A-2         |                                  | 4,773.37                | 4,773.37               |                                  |
| State Police                                  | A-2         |                                  | 1,648.43                | 1,648.43               |                                  |
| PY Approp Refunds                             | A-2         |                                  | 728.35                  | 728.35                 |                                  |
| Recycling Containers                          | A-2         |                                  | 550.00                  | 550.00                 |                                  |
| Returned Check Fee                            | A-2         |                                  | 150.00                  | 150.00                 |                                  |
| Towing Fees                                   | A-2         |                                  | 1,600.00                | 1,600.00               |                                  |
| Miscellaneous                                 | A-2         |                                  | 12,637.24               | 12,637.24              |                                  |
|   |             | <u>\$ 14,153.77</u>              | <u>\$ 1,170,370.75</u>  | <u>\$ 1,170,458.99</u> | <u>\$ 14,065.53</u>              |
| <u>Ref.</u>                                   |             | A                                | Reserve                 | A-4                    | A                                |

SCHEDULE OF 2014 APPROPRIATION RESERVES

|                                 | BALANCE<br>DEC. 31, 2014 | RESERVE FOR<br>ENCUMBRANCES<br>DEC. 31, 2014 | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br>LAPSED |
|---------------------------------|--------------------------|--|-------------------------------|--------------------|-------------------|
| <u>Operations Within "CAPS"</u> |                          |  |                               |                    |                   |
| Administrative and Executive    |                          |  |                               |                    |                   |
| Salaries and Wages              | \$ 139.85                | \$   | 139.85                        | 19.27              | \$ 120.58         |
| Miscellaneous Other Expenses    | 909.93                   | 50.00  | 959.93                        | 784.00             | 175.93            |
| Borough Clerk                   |                          |  |                               |                    |                   |
| Salaries and Wages              | 68.16                    |  | 68.16                         |                    | 68.16             |
| Other Expenses                  | 431.51                   | 461.50                                       | 893.01                        | 328.50             | 564.51            |
| Legal Advertising               | 497.89                   |  | 497.89                        |                    | 497.89            |
| Elections                       |                          |  |                               |                    |                   |
| Other Expenses                  | 826.60                   |  | 826.60                        |                    | 826.60            |
| Financial Administration        |                          |  |                               |                    |                   |
| Salaries and Wages              | 400.73                   |  | 400.73                        | 400.73             |                   |
| Annual Audit                    | 6,000.00                 | 29,000.00                                    | 35,000.00                     | 35,000.00          |                   |
| Other Expenses                  | 133.17                   | 4,329.00                                     | 4,462.17                      | 4,329.00           | 133.17            |
| Mayor and Council               |                          |  |                               |                    |                   |
| Salaries and Wages              | 500.20                   |  | 500.20                        |                    | 500.20            |
| Other Expenses                  | 406.57                   | 179.73                                       | 586.30                        | 374.73             | 211.57            |
| Assessment of Taxes             |                          |  |                               |                    |                   |
| Salaries and Wages              | 140.45                   |  | 140.45                        |                    | 140.45            |
| Other Expenses                  | 1,795.05                 |  | 1,795.05                      |                    | 1,795.05          |
| Collection of Taxes             |                          |  |                               |                    |                   |
| Salaries and Wages              | 43.84                    |  | 693.84                        | 691.56             | 2.28              |
| Other Expenses                  | 389.54                   | 115.00                                       | 504.54                        | 152.50             | 352.04            |
| Legal Services and Costs        |                          |  |                               |                    |                   |
| Salaries and Wages              | 785.06                   | 1,853.85                                     | 785.06                        | 1,853.85           | 785.06            |
| Other Expenses                  | 4,276.65                 |  | 6,130.50                      |                    | 4,276.65          |
| Engineering Services and Costs  |                          |  |                               |                    |                   |
| Other Expenses                  | 512.50                   | 355.25                                       | 867.75                        | 705.75             | 162.00            |
| Public Buildings and Grounds    |                          |  |                               |                    |                   |
| Salaries and Wages              | 458.20                   |  | 458.20                        | 193.80             | 264.40            |
| Miscellaneous Other Expenses    | 2,718.73                 | 26,745.88                                    | 29,464.61                     | 26,423.88          | 3,040.73          |

SCHEDULE OF 2014 APPROPRIATION RESERVES

|                                      | BALANCE<br>DEC. 31, 2014 | RESERVE FOR<br>ENCUMBRANCES<br>DEC. 31, 2014 | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br>LAPSED |
|--------------------------------------|--------------------------|--|-------------------------------|--------------------|-------------------|
| Municipal Land Use Law (NJSA 40:55D) |                          |  |                               |                    |                   |
| Planning Board                       | \$ 1,150.00              | \$ 75.00                                     | 1,150.00                      | 550.00             | 600.00            |
| Salaries and Wages                   | 533.69                   |  | 608.69                        | 75.00              | 533.69            |
| Other Expenses                       |                          |  |                               |                    |                   |
| Municipal Court                      | 4,129.66                 | 1,700.00                                     | 5,829.66                      | 1,700.00           | 4,129.66          |
| Salaries and Wages                   | 3,622.75                 |  | 3,622.75                      | 1,130.25           | 2,492.50          |
| Other Expenses                       |                          |  |                               |                    |                   |
| Information Technology               |                          |  |                               |                    |                   |
| Other Expenses                       | 704.60                   |  | 704.60                        | 700.00             | 4.60              |
| <u>PUBLIC SAFETY:</u>                |                          |  |                               |                    |                   |
| Fire                                 |                          |  |                               |                    |                   |
| Other Expenses:                      |                          |  |                               |                    |                   |
| Fire Hydrant Service                 | 115.00                   |  | 115.00                        |                    | 115.00            |
| Miscellaneous Other Expenses         | 21.70                    | 1,337.75                                     | 2,659.45                      | 2,631.75           | 27.70             |
| Police                               |                          |  |                               |                    |                   |
| Salaries and Wages:                  |                          |  |                               |                    |                   |
| Regular                              | 10,710.41                |  | 5,710.41                      | 434.36             | 5,276.05          |
| Overtime                             | 313.22                   |  | 3,813.22                      | 3,344.97           | 468.25            |
| Other Expenses:                      |                          |  |                               |                    |                   |
| Misc. Other Expenses                 | 1,531.69                 | 1,594.68                                     | 4,626.37                      | 3,665.32           | 961.05            |
| School Crossing Guards               |                          |  |                               |                    |                   |
| Salaries and Wages                   | 4,455.05                 |  | 4,455.05                      | 2,875.74           | 1,579.31          |
| Emergency Management Services        |                          |  |                               |                    |                   |
| Salaries and Wages                   | 0.04                     |  | 0.04                          |                    | 0.04              |
| Emergency Vehicle Leases             |                          |  |                               |                    |                   |
| Other Expenses                       | 605.38                   |  | 605.38                        |                    | 605.38            |

SCHEDULE OF 2014 APPROPRIATION RESERVES

|                                      | BALANCE<br>DEC. 31, 2014 | RESERVE FOR<br>ENCUMBRANCES<br>DEC. 31, 2014 | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br>LAPSED |
|--------------------------------------|--------------------------|--|-------------------------------|--------------------|-------------------|
| <u>STREETS AND ROADS:</u>            |                          |  |                               |                    |                   |
| Road Repairs and Maintenance         | \$ 39.41                 | \$   | 2,539.41                      | 1,411.14           | 1,128.27          |
| Salaries and Wages                   |                          |  |                               |                    |                   |
| Other Expenses                       | 33.90                    | 897.68                                       | 2,131.58                      | 1,939.73           | 191.85            |
| Misc. Other Expenses                 | 440.00                   |  | 440.00                        |                    | 440.00            |
| Leaf Bags                            |                          |  |                               |                    |                   |
| Tree Maintenance                     | 6,025.00                 |  | 6,025.00                      | 4,500.00           | 1,525.00          |
| Other Expenses                       |                          |  |                               |                    |                   |
| Shade Trees                          | 467.81                   |  | 467.81                        | 15.00              | 452.81            |
| Other Expenses                       |                          |  |                               |                    |                   |
| Transit Village                      |                          |  |                               |                    |                   |
| Other Expenses                       | 355.00                   |  | 355.00                        |                    | 355.00            |
| <u>SANITATION:</u>                   |                          |  |                               |                    |                   |
| Landfill/Solid Waste Disposal Costs  | 1,185.99                 | 935.00                                       | 2,120.99                      | 1,495.88           | 625.11            |
| Other Expenses                       |                          |  |                               |                    |                   |
| <u>HEALTH AND WELFARE:</u>           |                          |  |                               |                    |                   |
| Board of Health                      | 942.47                   |  | 942.47                        |                    | 942.47            |
| Salaries and Wages                   |                          | 73.50  | 1,374.11                      | 1,198.50           | 175.61            |
| Other Expenses                       | 1,300.61                 |  |                               |                    |                   |
| Green Brook Flood Control Commission |                          |  |                               |                    |                   |
| Share of Cost                        | 87.94                    |  | 87.94                         |                    | 87.94             |
| Insurance                            |                          |  |                               |                    |                   |
| General Liability                    | 12.67                    |  | 12.67                         |                    | 12.67             |
| Employee Group Health                | 38,235.25                |  | 23,585.25                     |                    | 23,585.25         |

SCHEDULE OF 2014 APPROPRIATION RESERVES

Exhibit - A-10  
Page 4 of 5

|  | BALANCE<br>DEC. 31, 2014 | RESERVE FOR<br>ENCUMBRANCES<br>DEC. 31, 2014 | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br>LAPSED |
|--|--------------------------|--|-------------------------------|--------------------|-------------------|
| <u>RECREATION AND EDUCATION:</u>                       |                          |  |                               |                    |                   |
| Recreation Commission                                  | \$ 3,744.59              | \$   | \$ 3,744.59                   | \$                 | \$ 3,744.59       |
| Salaries and Wages                                     | 5,526.63                 | 65.00  | 5,591.63                      | 289.00             | 5,302.63          |
| Other Expenses   |                          |  |                               |                    |                   |
| Senior Citizens Activities                             |                          |  |                               |                    |                   |
| Other Expenses:  |                          |  |                               |                    |                   |
| Misc. Other Expenses                                   |                          | 286.63                                       | 286.63                        | 267.88             | 18.75             |
| Construction Code Official                             |                          |  |                               |                    |                   |
| Salaries and Wages                                     | 183.47                   |  | 183.47                        |                    | 183.47            |
| Other Expenses   | 60.61                    | 26.00  | 86.61                         | 50.40              | 36.21             |
| <u>UNCLASSIFIED</u>                                    |                          |  |                               |                    |                   |
| Telephone  | 1,223.39                 |  | 1,223.39                      | 107.65             | 1,115.74          |
| Water  | 745.66                   |  | 745.66                        | 21.84              | 723.82            |
| Gasoline   | 15,325.39                |  | 14,325.39                     | 5,504.40           | 8,820.99          |
| Natural Gas and Electricity                            | 20,569.06                |  | 20,569.06                     | 20,152.26          | 416.80            |
| Total Operations Within "CAPS"                         | <u>145,832.67</u>        | <u>70,081.45</u>                             | <u>205,914.12</u>             | <u>125,318.64</u>  | <u>80,595.48</u>  |
| Contingent   | <u>1,500.00</u>          |  | <u>1,500.00</u>               |                    | <u>1,500.00</u>   |
| Total Operations Including Contingent<br>Within "CAPS" | <u>147,332.67</u>        | <u>70,081.45</u>                             | <u>207,414.12</u>             | <u>125,318.64</u>  | <u>82,095.48</u>  |

SCHEDULE OF 2014 APPROPRIATION RESERVES

|   | BALANCE<br>DEC. 31, 2014 | RESERVE FOR<br>ENCUMBRANCES<br>DEC. 31, 2014 | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br>LAPSED |
|---|--------------------------|--|-------------------------------|--------------------|-------------------|
| Statutory Expenditures:   |                          |  |                               |                    |                   |
| Contribution to:  |                          |  |                               |                    |                   |
| Social Security System (O.A.S.I.)   | \$ 8,746.21              | \$   | 8,746.21                      | \$ 8,182.20        | \$ 564.01         |
| Defined Contribution Retirement Plan                                      | 678.40                   |  | 678.40                        | 33.23              | 645.17            |
| Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS" | 9,424.61                 |  | 9,424.61                      | 8,215.43           | 1,209.18          |
| Total General Appropriations for Municipal Purposes Within "CAPS"         | 156,757.28               | 70,081.45                                    | 216,838.73                    | 133,534.07         | 83,304.66         |
| Operations Excluded from "CAPS":  |                          |  |                               |                    |                   |
| Maintenance of Free Public Library  | 3,946.17                 |  | 3,946.17                      | 3,946.17           |                   |
| Intergovernmental - County of Middlesex                                   | 1,855.40                 |  | 11,855.40                     | 11,175.93          | 679.47            |
| Recycling - Other Expenses  | 27.76                    |  | 27.76                         |                    | 27.76             |
| Health Services - Other Expenses  | 333.32                   |  | 333.32                        |                    | 333.32            |
| Dispatch Services - Other Expenses  |                          |  |                               |                    |                   |
| Total Operations - Excluded from "CAPS"                                   | 6,162.65                 |  | 16,162.65                     | 15,122.10          | 1,040.55          |
| Total General Appropriations  | \$ 162,919.93            | \$ 70,081.45                                 | \$ 233,001.38                 | \$ 148,656.17      | \$ 84,345.21      |

| Ref.             | A | A-11 | A-4           | A-1 |
|------------------|---|------|---------------|-----|
| Accounts Payable |   |      | \$ 1,458.88   |     |
| Disbursed        |   |      | 147,197.29    |     |
|                  |   |      | \$ 148,656.17 |     |

SCHEDULE OF RESERVE FOR ENCUMBRANCES  
CURRENT FUND AND GRANT FUND

|  | <u>REF.</u> | <u>CURRENT<br/>FUND</u>    | <u>GRANT<br/>FUND</u>  |
|--|-------------|----------------------------|------------------------|
| Balance - December 31, 2014            | A           | \$ 70,081.45               | \$ 600.02              |
| Increased by:                          |             |                            |                        |
| Transferred from Budget Appropriations | A-3,A-19    | <u>62,020.55</u>           | <u>18.42</u>           |
|  |             | 132,102.00                 | 618.44                 |
| Decreased by:                          |             |                            |                        |
| Transferred to Approp. Reserves        | A-10,A-19   | <u>70,081.45</u>           | <u>600.02</u>          |
| Balance - December 31, 2015            | A           | <u><u>\$ 62,020.55</u></u> | <u><u>\$ 18.42</u></u> |

CURRENT FUND  
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

|  | Balance<br>Dec. 31, 2014 | Transfer from/(to)<br>Budget | Cash<br>Receipts     | Cash<br>Disbursements  | Transfer from<br>Approp. Reserves | Balance<br>Dec. 31, 2015 |
|--|--------------------------|------------------------------|----------------------|------------------------|-----------------------------------|--------------------------|
| <b>Accounts Payable:</b>                   |                          |                              |                      |                        |                                   |                          |
| Due to State of NJ - Building Code Fees    | \$ 157.00                |                              | \$ 3,591.00          | \$ (2,519.00)          |                                   | \$ 1,229.00              |
| Due to State of NJ - Marriage License Fees | 200.00                   |                              | 1,125.00             | (925.00)               |                                   | 400.00                   |
| Payroll Deductions Payable                 | 48,353.80                |                              |                      | (16,204.76)            |                                   | 32,149.04                |
| Vendor Accounts Payable                    | 49,734.63                |                              |                      |                        | 1,458.88                          | 51,193.51                |
| <b>Subtotal</b>                            | <b>98,445.43</b>         | <b>-</b>                     | <b>4,716.00</b>      | <b>(19,648.76)</b>     | <b>1,458.88</b>                   | <b>84,971.55</b>         |
| <b>Reserve for:</b>                        |                          |                              |                      |                        |                                   |                          |
| Preparation of Tax Map                     | 200.00                   |                              |                      |                        |                                   | 200.00                   |
| Codification of Ordinances                 | 67.00                    |                              |                      |                        |                                   | 67.00                    |
| Fire Prevention Fees                       | 5,312.10                 |                              |                      |                        |                                   | 5,312.10                 |
| Insurance Proceeds                         | 13,455.22                |                              | 2,203.24             | (393.11)               |                                   | 15,265.35                |
| Sale of Municipal Assets                   | 340.07                   |                              |                      |                        |                                   | 340.07                   |
| Tax Appeals                                | 495.15                   |                              |                      |                        |                                   | 495.15                   |
| Third Party Lien Redemptions               | 46,376.65                |                              | 195,826.22           | (195,826.22)           |                                   | 46,376.65                |
| Reserve for Hurricane Sandy                | 123,770.28               |                              |                      |                        | (32,000.00)                       | 91,770.28                |
| Reserve for Due to County - PTF            | 1,635.20                 |                              | 4,905.60             |                        |                                   | 6,540.80                 |
| Master Plan                                | 831.43                   |                              |                      |                        |                                   | 831.43                   |
| <b>Subtotal</b>                            | <b>192,483.10</b>        | <b>(32,000.00)</b>           | <b>202,935.06</b>    | <b>(196,219.33)</b>    | <b>-</b>                          | <b>167,198.83</b>        |
| <b>Total</b>                               | <b>\$ 290,928.53</b>     | <b>\$ (32,000.00)</b>        | <b>\$ 207,651.06</b> | <b>\$ (215,868.09)</b> | <b>\$ 1,458.88</b>                | <b>\$ 252,170.38</b>     |

|             |   |     |     |     |      |   |
|-------------|---|-----|-----|-----|------|---|
| <u>Ref.</u> | A | A-2 | A-4 | A-4 | A-10 | A |
|-------------|---|-----|-----|-----|------|---|

SCHEDULE OF TAXES PAYABLE  
CURRENT FUND

|                           | <u>2015</u><br><u>Levy</u>       |  | <u>Cash</u><br><u>Disbursements</u> |
|---------------------------|----------------------------------|--|-------------------------------------|
| County - General          | \$ 2,086,967.64                  |  | \$ 2,086,967.64                     |
| County - Open Space       | 170,294.71                       |  | 170,294.71                          |
| County - Added & Omitted  | 3,677.64                         |  | 3,677.64                            |
| Local District School Tax | <u>10,509,916.00</u>             |  | <u>10,509,916.00</u>                |
|                           | <u>\$ 12,770,855.99</u>          |  | <u>\$ 12,770,855.99</u>             |
|                           | <u>REF.</u>                      |  | A-4                                 |
| County                    | A-1,A-2,A-8 \$ 2,260,939.99      |  |                                     |
| Local District School Tax | A-1,A-2,A-8 <u>10,509,916.00</u> |  |                                     |
|                           | <u>\$ 12,770,855.99</u>          |  |                                     |

SCHEDULE OF INTERFUNDS PAYABLE  
CURRENT FUND

Exhibit - A-14

| REF.                        | TOTAL                | GRANT FUND          | ANIMAL CONTROL FUND | OTHER TRUST FUND     | GENERAL CAPITAL FUND |
|-----------------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| A                           | \$ 1,139,631.54      | \$ 119,750.14       | \$ 4,594.00         | \$ 297,767.21        | \$ 717,520.19        |
| Increased by:               |                      |                     |                     |                      |                      |
| A-4                         | 1,299,327.08         | 87,072.89           | 2,472.00            | 584,382.19           | 625,400.00           |
| A-4                         | 262,500.00           |                     |                     |                      | 262,500.00           |
| A-3                         | 126,050.47           | 126,050.47          |                     |                      |                      |
| A-3                         | 15,000.00            |                     |                     |                      | 15,000.00            |
| A-3                         | 67,800.00            |                     |                     |                      | 67,800.00            |
| A-1                         | 52,500.00            | 52,500.00           |                     |                      |                      |
|                             | <u>2,962,809.09</u>  | <u>385,373.50</u>   | <u>7,066.00</u>     | <u>882,149.40</u>    | <u>1,688,220.19</u>  |
| Decreased by:               |                      |                     |                     |                      |                      |
| A-4                         | 1,062,423.94         | 154,698.26          | 612.40              | 386,913.28           | 520,200.00           |
| A-4                         | 700,104.61           |                     |                     |                      | 700,104.61           |
| A-2                         | 38,000.00            |                     |                     |                      | 38,000.00            |
| A-2                         | 126,050.47           | 126,050.47          |                     |                      |                      |
| A-1                         | 36,582.07            | 36,582.07           |                     |                      |                      |
| A-1                         | 1,562.40             |                     | 1,562.40            |                      |                      |
|                             | <u>1,964,723.49</u>  | <u>317,330.80</u>   | <u>2,174.80</u>     | <u>386,913.28</u>    | <u>1,258,304.61</u>  |
| A                           | <u>\$ 998,085.60</u> | <u>\$ 68,042.70</u> | <u>\$ 4,891.20</u>  | <u>\$ 495,236.12</u> | <u>\$ 429,915.58</u> |
| Balance - December 31, 2015 |                      |                     |                     |                      |                      |

SCHEDULE OF INTERFUNDS RECEIVABLE/PAYABLE  
CURRENT FUND

|   | <u>REF.</u> | <u>TOTAL</u>         | <u>SEWER UTILITY<br/>OPERATING<br/>FUND</u> |
|---|-------------|----------------------|---|
| Balance - December 31, 2014<br>(Due to) | A           | \$ 71,677.15         | \$ 71,677.15                                |
| Increased by:                           |             |                      |   |
| Interfund Loans Received                | A- 4        | <u>799,740.81</u>    | <u>799,740.81</u>                           |
|   |             | 871,417.96           | 871,417.96                                  |
| Decreased by:                           |             |                      |   |
| Interfund Loans Disbursed               | A- 4        | <u>763,858.35</u>    | <u>763,858.35</u>                           |
|   |             | <u>763,858.35</u>    | <u>763,858.35</u>                           |
| Balance - December 31, 2015<br>(Due to) | A           | <u>\$ 107,559.61</u> | <u>\$ 107,559.61</u>                        |

SCHEDULE OF DEFERRED CHARGES

|                                       | <u>BALANCE</u><br><u>DEC. 31, 2014</u> | <u>AMOUNT</u><br><u>RESULTING</u><br><u>IN 2015</u> | <u>RAISED IN</u><br><u>2015 BUDGET</u> | <u>BALANCE</u><br><u>DEC. 31, 2015</u> |
|---------------------------------------|--|---|--|--|
| Special Emergency:<br>Hurricane Sandy | \$ 96,000.00                           |   | \$ 32,000.00                           | \$ 64,000.00                           |
| Emergency:<br>COAH                    |  | \$ 40,000.00  |  | 40,000.00                              |
|                                       | <u>\$ 96,000.00</u>                    | <u>\$ 40,000.00</u>                                 | <u>\$ 32,000.00</u>                    | <u>\$ 104,000.00</u>                   |
| <u>Ref.</u>                           | A                                      | A-3   | A-3                                    | A                                      |

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

| GRANTS  | BALANCE<br>DEC. 31, 2014 | 2015                          |              | COLLECTED<br>2015 | TRANSFERRED/<br>CANCELLED | TRANS. FROM<br>STATE & FED.<br>GRANTS<br>UNAPPROP. | BALANCE<br>DEC. 31, 2015 |
|---|--------------------------|-------------------------------|--------------|-------------------|---------------------------|--|--------------------------|
|   |                          | BUDGET<br>REVENUE<br>REALIZED | \$           |                   |                           |  |                          |
| County of Middlesex- CDBG (12-13)                             | \$ 12,932.73             | \$                            | \$ 2,276.15  | \$                |                           | \$   | 10,656.58                |
| County of Middlesex- CDBG (13-14)                             | 32,548.03                |                               | 10,225.34    |                   |                           |  | 22,322.69                |
| County of Middlesex- CDBG (14-15)                             |                          | 39,427.00                     | 14,000.00    |                   |                           |  | 25,427.00                |
| County of Middlesex- CDBG (15-16)                             |                          | 36,518.00                     |              |                   |                           |  | 36,518.00                |
| Alcohol Education and Rehabilitation Fund                     |                          | 1,355.46                      |              |                   |                           |  | -                        |
| Body Armor Grant  |                          | 1,847.11                      |              |                   |                           |  | -                        |
| Clean Communities Program                                     |                          | 12,149.88                     |              | 12,149.88         |                           |  | -                        |
| Community Stewardship Incentive Program (CSIP)                | 20,000.00                |                               | 15,000.00    |                   |                           |  | 5,000.00                 |
| NJ Drive Sober or Get Pulled Over Grant                       |                          | 7,250.00                      |              | 5,000.00          |                           | 2,250.00   | -                        |
| Drunk Driving Enforcement Fund                                |                          | 6,356.77                      |              | 6,356.77          |                           |  | -                        |
| Middlesex County Sustainable Economic Growth Improvement Fund | 52,500.00                |                               |              |                   | 52,500.00                 |  | -                        |
| NJ DOT Washington Avenue Streetscape Enhancements             | 300,000.00               |                               |              |                   |                           |  | 300,000.00               |
| Occupant Protection - Click It or Ticket                      |                          | 3,350.00                      |              |                   |                           | 3,350.00   | -                        |
| Pedestrian Safety Grant                                       |                          | 7,712.18                      |              | 7,712.18          |                           |  | -                        |
| Selective Enforcement Management                              |                          | 4,775.00                      |              |                   |                           | 4,775.00   | -                        |
| Solid Waste Admin - Recycling Tonnage Grant                   |                          | 5,309.07                      |              |                   |                           | 5,309.07   | -                        |
| State of NJ - DCA - Smart Future Planning Grant               | 621.50                   |                               |              |                   |                           |  | 621.50                   |
|   | \$ 418,602.26            | \$ 126,050.47                 | \$ 75,922.89 | \$ 52,500.00      | \$ 15,684.07              | \$   | 400,545.77               |

Ref.

A

A-18

A-18

A-18

A-18

A

A-18

A-18

A-20

A

SCHEDULE OF DUE FROM CURRENT FUND  
GRANT FUND

|  | <u>REF.</u> |                   |                            |
|--|-------------|-------------------|----------------------------|
| Balance - December 31, 2014  | A           |                   | \$ 119,750.14              |
| Increased by:  |             |                   |                            |
| State & Federal Grants Approp. -<br>Transferred from 2015 Budget           | A-19        | 126,050.47        |                            |
| State & Federal Grants Receivable. Cancelled                               | A-17        | 52,500.00         |                            |
| Current Fund Collections:  |             |                   |                            |
| State & Federal Grants Received  | A-17        | 75,922.89         |                            |
| State & Federal Grants Unapprop.   | A-20        | <u>11,150.00</u>  |                            |
|  |             |                   | <u>265,623.36</u>          |
|  |             |                   | 385,373.50                 |
| Decreased by:  |             |                   |                            |
| State & Federal Grants Realized<br>as 2015 Budget Revenue                  | A-17        | 126,050.47        |                            |
| State & Federal Grants Appr. Cancelled                                     | A-19        | 36,582.07         |                            |
| State & Federal Grants Approp. & Unapprop.<br>Expend. Paid by Current Fund | A-19        | <u>154,698.26</u> |                            |
|  |             |                   | <u>317,330.80</u>          |
| Balance - December 31, 2015  | A           |                   | <u><u>\$ 68,042.70</u></u> |

SCHEDULE OF STATE AND FEDERAL GRANT APPROPRIATED  
GRANT FUND

| Grant  | Balance<br>December 31,<br>2014 | Transferred<br>from 2015<br>Budget<br>Appropriations | Reserve for<br>Encumbrances<br>2014 | Paid or<br>Charged | Reserve for<br>Encumbrances<br>2015 | Transferred/<br>Cancelled | Balance<br>December 31,<br>2015 |
|--|---------------------------------|--|-------------------------------------|--------------------|-------------------------------------|---------------------------|---------------------------------|
| SFY 2008   |                                 |  |                                     |                    |                                     |                           |                                 |
| Alcohol Education Rehabilitation Fund  | \$ 1,259.02                     | \$   | \$ 483.60                           | \$                 | \$                                  | \$                        | \$ 1,742.62                     |
| State of NJ - Solid Waste<br>Matching Funds for Grants   | 2,075.34<br>6,000.00            |  | 2,075.34                            |                    |                                     |                           | 6,000.00                        |
| SFY 2009   |                                 |  |                                     |                    |                                     |                           |                                 |
| Alcohol Education Rehabilitation Fund  | 1,563.53                        |  | 483.60                              |                    |                                     | 36,582.07                 | 1,079.93                        |
| Middlesex County Sustainable Economic Growth Improve Fund<br>Solid Waste Admin - Recycling Tonnage | 36,582.07<br>7,232.92           |  | 7,232.92                            |                    |                                     |                           | -                               |
| TY 2009  |                                 |  |                                     |                    |                                     |                           |                                 |
| Alcohol Education Rehabilitation Fund  | 4,269.68                        |  | 4,879.73                            |                    |                                     |                           | 4,269.68                        |
| Clean Communities Grant  | 4,879.73                        |  |                                     |                    |                                     |                           | -                               |
| CY 2010  |                                 |  |                                     |                    |                                     |                           |                                 |
| Clean Communities Program  | 4,868.64                        |  | 2,391.79                            |                    |                                     |                           | 2,476.85                        |
| Solid Waste Administration - Recycling Tonnage Grant   | 10,265.80                       |  | 7,291.81                            |                    |                                     |                           | 2,973.99                        |
| CY 2011  |                                 |  |                                     |                    |                                     |                           |                                 |
| Alcohol Education Rehabilitation Fund  | 5,079.56                        |  |                                     |                    |                                     |                           | 5,079.56                        |
| Clean Communities Program  | 9,226.87                        |  |                                     |                    |                                     |                           | 9,226.87                        |
| CY 2012  |                                 |  |                                     |                    |                                     |                           |                                 |
| Alcohol Education Rehabilitation Fund  | 3,129.86                        |  | 1,652.00                            |                    |                                     |                           | 3,129.86                        |
| Body Armor Grant   | 3,342.37                        |  |                                     |                    |                                     |                           | 1,690.37                        |
| Clean Communities Program  | 9,077.95                        |  | 24,759.74                           |                    |                                     |                           | 9,077.95                        |
| Solid Waste Administration - Recycling Tonnage Grant   | 24,901.27                       |  |                                     |                    |                                     |                           | 141.53                          |
| CY 2013  |                                 |  |                                     |                    |                                     |                           |                                 |
| FM Global Fire Prevention  | 49.41                           |  |                                     |                    |                                     |                           | 49.41                           |
| Alcohol Education and Rehabilitation Fund  | 738.85                          |  |                                     |                    |                                     |                           | 738.85                          |
| Clean Communities Program  | 10,658.24                       |  | 6,144.49                            |                    |                                     |                           | 10,658.24                       |
| State of NJ - Solid Waste - Recycling Tonnage Grant  | 6,144.49                        |  |                                     |                    |                                     |                           | -                               |
| CY 2014  |                                 |  |                                     |                    |                                     |                           |                                 |
| Alcohol Education and Rehabilitation Fund  | 1,949.64                        |  |                                     |                    |                                     |                           | 1,949.64                        |
| Body Armor Grant   | 4,091.91                        |  |                                     |                    |                                     |                           | 4,091.91                        |
| Clean Communities Program  | 9,994.67                        |  | 2,498.67                            |                    |                                     |                           | 7,496.00                        |
| Community Stewardship Incentive Program (CSIP)   | 2,605.00                        |  | 1,675.00                            |                    |                                     |                           | 930.00                          |
| Drunk Driving Enforcement Fund   | 5,916.78                        |  | 5,916.78                            |                    |                                     |                           | -                               |
| NJ DOT Washington Avenue Streetscape Enhancements  | 300,000.00                      |  |                                     |                    |                                     |                           | 300,000.00                      |
| NJ Drive Sober or Get Pulled Over  | 2,925.00                        |  | 2,925.00                            |                    |                                     |                           | -                               |
| NJ EDA Hazardous Site Remediation Fund Municipal Grant Prog  |                                 |  | 116.42                              |                    | 18.42                               |                           | -                               |
| CY 2015  |                                 |  |                                     |                    |                                     |                           |                                 |
| Alcohol Education and Rehabilitation Fund  | 1,355.46                        |  |                                     |                    |                                     |                           | 1,355.46                        |
| Body Armor Grant   | 1,847.11                        |  |                                     |                    |                                     |                           | 1,847.11                        |
| Clean Communities Program  | 12,149.88                       |  |                                     |                    |                                     |                           | 12,149.88                       |
| Drunk Driving Enforcement Fund   | 6,356.77                        |  |                                     |                    |                                     |                           | 6,356.77                        |
| NJ Drive Sober or Get Pulled Over Grant  | 7,250.00                        |  | 7,250.00                            |                    |                                     |                           | -                               |
| Occupant Protection - Click It or Ticket   | 3,350.00                        |  | 3,350.00                            |                    |                                     |                           | -                               |
| Pedestrian Safety Grant  | 7,712.18                        |  | 7,675.00                            |                    |                                     |                           | 37.18                           |
| Selective Enforcement Management   | 4,775.00                        |  | 4,775.00                            |                    |                                     |                           | -                               |
| Solid Waste Admin - Recycling Tonnage Grant  | 5,309.07                        |  | 5,309.07                            |                    |                                     |                           | -                               |

SCHEDULE OF STATE AND FEDERAL GRANT APPROPRIATED  
GRANT FUND

| Grant                     | Balance<br>December 31,<br>2014 | Transferred<br>from 2015<br>Budget<br>Appropriations | Reserve for<br>Encumbrances<br>2014 | Paid or<br>Charged | Reserve for<br>Encumbrances<br>2015 | Transferred/<br>Cancelled | Balance<br>December 31,<br>2015 |
|---------------------------|---------------------------------|--|-------------------------------------|--------------------|-------------------------------------|---------------------------|---------------------------------|
| CDBG                      |                                 |  |                                     |                    |                                     |                           |                                 |
| 2012/13:                  |                                 |  |                                     |                    |                                     |                           |                                 |
| Sewer Line Replacement    | 8,000.00                        |  |                                     | 8,000.00           |                                     |                           | -                               |
| Senior Bus Purchase       | 2,656.58                        |  |                                     | 321.16             |                                     |                           | 2,335.42                        |
| 2013/14:                  |                                 |  |                                     |                    |                                     |                           |                                 |
| Senior Center Coordinator | 6,000.00                        |  |                                     | 8,563.16           |                                     |                           | 6,000.00                        |
| Senior Citizen Van Driver | 9,216.13                        |  |                                     | 5,299.00           |                                     |                           | 652.97                          |
| Tree Planting Program     | 5,299.00                        |  |                                     | 12,068.00          |                                     |                           | -                               |
| Sewer Line Replacement    | 12,068.00                       |  |                                     |                    |                                     |                           | -                               |
| 2014/15:                  |                                 |  |                                     |                    |                                     |                           |                                 |
| Senior Center Coordinator |                                 | 6,000.00   |                                     |                    |                                     |                           | 6,000.00                        |
| Senior Center Van Driver  |                                 | 11,000.00  |                                     |                    |                                     |                           | 11,000.00                       |
| Code Enforcement          |                                 | 8,000.00   |                                     | 8,000.00           |                                     |                           | -                               |
| Tree Planting             |                                 | 3,000.00   |                                     | 2,636.00           |                                     |                           | 364.00                          |
| Sewer Line Replacement    |                                 | 11,427.00  |                                     | 11,427.00          |                                     |                           | -                               |
| 2014/15:                  |                                 |  |                                     |                    |                                     |                           |                                 |
| Senior Center Coordinator |                                 | 6,000.00   |                                     |                    |                                     |                           | 6,000.00                        |
| Senior Center Van Driver  |                                 | 11,000.00  |                                     |                    |                                     |                           | 11,000.00                       |
| Code Enforcement          |                                 | 8,000.00   |                                     |                    |                                     |                           | 8,000.00                        |
| Tree Planting             |                                 | 3,000.00   |                                     |                    |                                     |                           | 3,000.00                        |
| Sewer Line Replacement    |                                 | 8,518.00   |                                     |                    |                                     |                           | 8,518.00                        |
|                           | \$ 522,068.31                   | \$ 126,050.47  | \$ 600.02                           | \$ 154,698.26      | \$ 18.42                            | \$ 36,582.07              | \$ 457,420.05                   |
| Ref.                      | A                               | A-18   | A-11                                | A-18               | A-11                                | A-18                      | A                               |

SCHEDULE OF STATE AND FEDERAL GRANTS  
UNAPPROPRIATED  
GRANT FUND

| <u>GRANT</u>                             | BALANCE<br>DEC. 31, 2014 | RECEIVED IN<br>CASH | TRANSFERRED<br>TO 2015<br>BUDGET AS<br>REVENUE | BALANCE<br>DEC. 31, 2015 |
|--|--------------------------|---------------------|--|--------------------------|
| Impaired Driving Countermeasure          | \$ 2,250.00              | \$ -                | \$ 2,250.00                                    | \$ -                     |
| Municipal Alliance Grant                 |                          |                     |  | -                        |
| NJ Drive Sober or Get Pulled Over        | 3,350.00                 | 5,000.00            |  | 5,000.00                 |
| Occupant Protection - Click It or Ticket |                          | 4,000.00            | 3,350.00                                       | 4,000.00                 |
| Pedestrian Safety Grant                  |                          | 2,150.00            |  | 2,150.00                 |
| Recycling Tonnage Grant                  | 5,309.07                 |                     | 5,309.07                                       | -                        |
| Selective Enforcement Management         | 4,775.00                 |                     | 4,775.00                                       | -                        |
|  | <u>\$ 15,684.07</u>      | <u>\$ 11,150.00</u> | <u>\$ 15,684.07</u>                            | <u>\$ 11,150.00</u>      |

Ref.                      A                      A-18                      A-17                      A

TRUST FUND

TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

|   | Balance<br>12/31/14 | Cash.....              |                          | Adjustments | Balance<br>12/31/15 |
|---|---------------------|------------------------|--------------------------|-------------|---------------------|
|   |                     | Receipts               | Disbursements            |             |                     |
| <b>Animal Control:</b>                        |                     |                        |                          |             |                     |
| Due from Current Fund.....                    | \$ (4,594.00)       | \$ 612.40              | \$ (2,472.00)            | \$ 1,562.40 | \$ (4,891.20)       |
| Due to NJ - State License Fees.....           | -                   | 290.40                 | (290.40)                 | -           | -                   |
| Animal Control Reserves.....                  | 4,594.00            | 2,181.60               | (322.00)                 | (1,562.40)  | 4,891.20            |
| <b>Total</b>                                  | <b>-</b>            | <b>3,084.40</b>        | <b>(3,084.40)</b>        | <b>-</b>    | <b>-</b>            |
| <b>Other Trust Fund:</b>                      |                     |                        |                          |             |                     |
| Due from General Capital Fund.....            | (100,000.00)        |                        |                          |             | (100,000.00)        |
| Due to Current Fund.....                      | (297,767.21)        | 386,913.28             | (584,382.19)             |             | (495,236.12)        |
| <b>Various Reserves:</b>                      |                     |                        |                          |             |                     |
| Affordable Housing.....                       | 50.01               |                        |                          |             | 50.01               |
| D.A.R.E. ....                                 | 2,109.42            |                        |                          |             | 2,109.42            |
| Downtown Management Organization              | 5,015.60            | 4,175.00               | (1,481.00)               |             | 7,709.60            |
| Dunellen Reporter.....                        | 264.29              |                        |                          |             | 264.29              |
| F.E.M.A.....                                  | 16,361.33           |                        |                          |             | 16,361.33           |
| Fire Prevention Fees.....                     | 4,356.03            |                        |                          |             | 4,356.03            |
| Law Enforcement Trust Fund.....               | 20,135.24           | 1,222.76               | (4,347.25)               |             | 17,010.75           |
| Maurer House.....                             | 9,574.50            | 11,973.00              | (16,798.35)              |             | 4,749.15            |
| Off Duty Police.....                          | 42,727.93           | 129,947.26             | (124,459.00)             |             | 48,216.19           |
| Performance Bonds.....                        | 1,000.00            |                        |                          |             | 1,000.00            |
| Planning Board Escrow.....                    | 20,323.84           | 57,892.04              | (17,958.85)              |             | 60,257.03           |
| POAA.....                                     | 3,821.09            | 674.00                 | (2,007.31)               |             | 2,487.78            |
| Premium on Third Party Tax Sale.....          | 286,600.00          | 386,900.00             | (195,700.00)             |             | 477,800.00          |
| Public Defender.....                          | 7.48                | 9,117.00               | (4,207.07)               |             | 4,917.41            |
| Recreation Trust.....                         | 4,671.45            | 40,175.93              | (42,260.55)              |             | 2,586.83            |
| Recycling funds.....                          | 1,238.70            |                        |                          |             | 1,238.70            |
| Road Opening Deposits.....                    | 200.00              |                        |                          |             | 200.00              |
| Shade Tree Escrow.....                        | 395.00              | 1,420.00               |                          |             | 1,815.00            |
| Snow Emergency.....                           | 8,997.39            |                        |                          |             | 8,997.39            |
| State Firearms Registration Fees.....         | 427.00              |                        |                          |             | 427.00              |
| Street Lighting.....                          | 10,000.00           |                        |                          |             | 10,000.00           |
| Unemployment compensation insurance fund..... | 32,912.81           | 4,321.78               | (20,501.93)              |             | 16,732.66           |
| <b>Total</b>                                  | <b>73,421.90</b>    | <b>1,034,732.05</b>    | <b>(1,014,103.50)</b>    | <b>-</b>    | <b>94,050.45</b>    |
| <b>Public Assistance:</b>                     |                     |                        |                          |             |                     |
| Reserves for Expenditures.....                | 3,280.58            |                        |                          |             | 3,280.58            |
| <b>Total</b>                                  | <b>3,280.58</b>     | <b>-</b>               | <b>-</b>                 | <b>-</b>    | <b>3,280.58</b>     |
| <b>Total</b>                                  | <b>\$ 76,702.48</b> | <b>\$ 1,037,816.45</b> | <b>\$ (1,017,187.90)</b> | <b>\$ -</b> | <b>\$ 97,331.03</b> |

Ref.

B

B

DOG LICENSE FEES COLLECTED

| <u>YEAR</u> | <u>AMOUNT</u>     |
|-------------|-------------------|
| 2013        | \$2,426.20        |
| 2014        | <u>2,465.00</u>   |
|             | <u>\$4,891.20</u> |

Note: R.S. 4:19.11

" . . . . there shall be transferred from such special account to the general funds of the municipality any amount then in such special account which is in excess of the total amount paid into such special account during the last two fiscal years next preceding."

GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS

Exhibit - C-2

|  | BALANCE<br>DEC. 31,<br><u>2014</u> | BALANCE<br>DEC. 31,<br><u>2015</u> |
|--|------------------------------------|------------------------------------|
| Fund Balance                               | \$ 40,354.97                       | \$ 40,354.97                       |
| Capital Improvement Fund                   | 62,855.05                          | 32,855.05                          |
| Reserve for Payment of Future Debt Service | 77,557.48                          | 39,557.48                          |
| Reserve for Encumbrances Payable           | 111,524.30                         | 1,047,064.96                       |
| N.J. D.O.T. Grants Receivable/Reserve      | (1,464,181.65)                     | (1,201,681.65)                     |
| Due to Trust Fund                          | 100,000.00                         | 100,000.00                         |
| Due to/(from) Current Fund                 | (717,520.19)                       | (429,915.58)                       |

Improvement Authorizations:

| <u>ORD. NO.</u> | <u>IMPROVEMENT DESCRIPTION</u>                          |             |              |
|-----------------|---|-------------|--------------|
| 01-09/          | Sanitary Sewer/ Pump Station                            |             |              |
| 02-01           | Improvements (Amended)                                  | (3,819.42)  | (3,819.42)   |
| 02-08           | Improv. to San. Sewer System                            | (278.11)    | (278.11)     |
| 02-15           | Various Purchases                                       | (2,837.94)  | (2,837.94)   |
| 03-19           | Construction of Field House/Senior Center               | (12,746.85) | (2,746.85)   |
| 03-22           | Improvement of High Street                              | (32.39)     | (32.39)      |
| 04-01           | Columbia Park Improvements                              | (584.01)    | (584.01)     |
| 04-07           | Improvement to Streetscape                              | 7,979.67    | 7,858.24     |
| 04-15           | Breathalyzer  | (390.97)    | (390.97)     |
| 04-15           | Laptops for Police Vehicles                             | (340.57)    | (340.57)     |
| 04-15           | Clerk's Office Computers                                | (2,263.61)  | (2,263.61)   |
| 05-08           | Fire Department Communications Devices                  | (1,554.89)  | (1,554.89)   |
| 05-09           | Purchase Various Equipment (Sewer Jet, Diesel Mower)    | (1,744.08)  | (1,744.08)   |
| 05-10           | Dunellen Redevelopment Project                          | (3,810.07)  | (3,810.07)   |
| 05-12           | Resurfacing of Whittier Avenue                          | (4,897.05)  | (4,897.05)   |
| 05-20           | Emergency equipment                                     | (264.80)    | (264.80)     |
| 05-21           | Supplemental Appropriation - Columbia Park              | 155,228.12  | 155,228.12   |
| 06-12           | Construct Culvert under Railroad                        | 898,392.03  | 898,322.03   |
| 06-18           | Supplemental Appropriation - Sanitary Sewer             | 10,000.00   | 9,983.60     |
| 06-25           | Acquisition of Equipment                                | (585.43)    | (585.43)     |
| 07-02           | Various Capital Improvements                            | (2,116.59)  | (2,116.59)   |
| 07-15           | McCoy Park Improvements                                 | (313.29)    | (313.29)     |
| 07-18           | West 4th Street Improvements                            | (1,106.06)  | (1,106.06)   |
| 07-21           | Boiler Replacement in Municipal Building                | (798.81)    | (798.81)     |
| 08-07           | First Street Phase II Improvements                      | (612.72)    | (612.72)     |
| 08-08B          | Manhole Covers  | (548.07)    | (548.07)     |
| 08-08C          | Various Improvement - Computers, Radar Equip            | 2,023.50    | 2,023.50     |
| 08-17           | McCoy Park Improvements - Amended                       | (427.25)    | (427.25)     |
| 08-22A          | Overhead Garage Door                                    | 2,842.78    | 2,842.78     |
| 08-22B          | Telephone System  | 205.28      | 205.28       |
| 08-22C          | Diesel Mason Dump Truck                                 | (540.03)    | (540.03)     |
| 09-10           | Acquisition of Property                                 | (831.00)    | (831.00)     |
| 09-12           | Various Capital Improvements                            | 46,774.48   | 46,774.48    |
| 09-14           | Streetscape Improvements                                | (250.00)    | (250.00)     |
| 10-05           | Sewer System Improvements                               | 8,580.73    | 8,580.73     |
| 10-10           | Improvements to Fairview Avenue                         | 30,862.29   | 30,862.29    |
| 11-11           | Improvements to Dunellen Avenue                         | 86,888.48   | 8,676.72     |
| 12-11           | Various Capital Improvements                            | 84,425.29   | 82,344.36    |
| 12-16           | Improvements to Dunellen Avenue - Phase II              | 391,297.49  |              |
| 13-07           | Various Capital Improvements                            | 75,262.91   | 55,673.69    |
| 14-03           | Various General Improvements                            | 32,341.00   | (1,321.71)   |
| 15-05           | Improvements to Madison Avenue                          |             | (123,120.86) |
| 15-06           | Streetscape Improvements - Washington Ave and North Ave |             | (134,059.84) |
| 15-07           | Acquisition of a Fire Pumper                            |             | (527,955.00) |
| 15-08           | Various Capital Improvements                            |             | (126,459.63) |
| 15-10           | Acquisition of Dispatch Equipment                       |             | 9,000.00     |
|                 |   | \$ 0.00     | \$ 0.00      |

SCHEDULE OF DUE FROM VARIOUS GRANTOR AGENCIES  
GRANTS RECEIVABLE  
GENERAL CAPITAL FUND

|   | Ordinance<br>Number | Balance<br>December 31,<br>2014 | Increases              | Decreases            | Balance<br>December 31,<br>2015 |
|---|---------------------|---------------------------------|------------------------|----------------------|---------------------------------|
| Receivables:  |                     |                                 |                        |                      |                                 |
| Dunellen & So. Ave. - NJ DOT                              | 98-02               | \$ 5,788.79                     |                        |                      | \$ 5,788.79                     |
| Various Improvements - Lincoln and Prospect Ave. - NJ DOT | 00-06               | 2,779.75                        |                        |                      | 2,779.75                        |
| High Street Improvements - NJ DOT                         | 03-22               | 4,248.40                        |                        |                      | 4,248.40                        |
| Sanford Ave. Improvements- NJ DOT                         | 04-06               | 61,929.02                       |                        |                      | 61,929.02                       |
| Streetscape Improvements - NJ DOT                         | 04-07               | 13,826.06                       |                        |                      | 13,826.06                       |
| Resurfacing of Whittier Ave                               | 05-12               | 42,181.95                       |                        |                      | 42,181.95                       |
| Construct Culvert under Railroad                          | 06-12               | 759,480.23                      |                        |                      | 759,480.23                      |
| First Street Phase II Improvements                        | 08-07               | 51,948.12                       |                        |                      | 51,948.12                       |
| Front Street - NJ DOT                                     | 09-04               | 24,261.55                       |                        |                      | 24,261.55                       |
| Fairview Avenue - NJ DOT                                  | 10-10               | 50,388.78                       |                        |                      | 50,388.78                       |
| Improvements to Dunellen Avenue                           | 11-11               | 97,349.00                       |                        |                      | 97,349.00                       |
| Improvements to Dunellen Avenue - Phase II                | 12-16               | 350,000.00                      |                        | 262,500.00           | 87,500.00                       |
| Improvements to Madison Avenue                            | 15-05               |                                 | 537,500.00             |                      | 537,500.00                      |
| Streetscape Improvements - Washington Ave - NJ DOT        | 15-06               |                                 | 400,000.00             |                      | 400,000.00                      |
| Streetscape Improvements - North Ave - NJ DOT             | 15-06               |                                 | 300,000.00             |                      | 300,000.00                      |
|   |                     | <u>\$ 1,464,181.65</u>          | <u>\$ 1,237,500.00</u> | <u>\$ 262,500.00</u> | <u>\$ 2,439,181.65</u>          |
|   | <u>Ref.</u>         | C                               | C-14                   | C-6                  | C                               |

Exhibit - C-4

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

|                              | REF. |                               |
|------------------------------|------|-------------------------------|
| Balance - December 31, 2014  | C    | \$ 2,921,809.35               |
| Decreased by:                |      |                               |
| NJ Infrastructure Trust Loan | C-10 | 50,000.00                     |
| NJ Infrastructure Fund Loan  | C-11 | 48,252.11                     |
| MCIA Lease Payable           | C-12 | <u>268,110.49</u>             |
|                              |      | <u>366,362.60</u>             |
| Balance - December 31, 2015  | C    | <u><u>\$ 2,555,446.75</u></u> |

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

| ORD. NO. | IMPROVEMENT DESCRIPTION                                 | BALANCE DEC. 31, 2014  | 2015 AUTHORIZATIONS    | PAID BY BUDGET APPROP. | BALANCE DEC. 31, 2015  | ANALYSIS OF BALANCE DECEMBER 31, 2015 |                      |  | UNEXPENDED BALANCE OF IMPROV. AUTH. |
|----------|---|------------------------|------------------------|------------------------|------------------------|---------------------------------------|----------------------|--|-------------------------------------|
|          |   |                        |                        |                        |                        | BOND ANTICIPATION NOTES               | EXPENDITURES         |  |                                     |
|          | General Improvements                                    |                        |                        |                        |                        |                                       |                      |  |                                     |
| 01-09/   | Sanitary Sewer/ Pump Station Improvements (Amended)     | \$ 48,819.42           |                        | \$ 5,000.00            | \$ 43,819.42           | \$ 40,000.00                          | \$ 3,819.42          |  |                                     |
| 02-01    | Road Improvements Madison Ave.                          | 278.11                 |                        |                        | 278.11                 |                                       | 278.11               |  |                                     |
| 02-08    | Various Purchases                                       | 2,837.94               |                        |                        | 2,837.94               |                                       | 2,837.94             |  |                                     |
| 03-19    | Construction of Field House/Senior Center               | 12,746.85              |                        | 10,000.00              | 2,746.85               |                                       | 2,746.85             |  |                                     |
| 03-22    | Improvement of High Street                              | 32.39                  |                        |                        | 32.39                  |                                       | 32.39                |  |                                     |
| 04-01    | Columbia Park Improvements                              | 32,084.01              |                        | 3,500.00               | 28,584.01              | 28,000.00                             | 584.01               |  | 250.00                              |
| 04-07    | Improvement to Streetscape                              | 49,750.00              |                        | 5,500.00               | 44,250.00              | 44,000.00                             |                      |  |                                     |
| 04-15    | Breathalyzer  | 390.97                 |                        |                        | 390.97                 |                                       | 390.97               |  |                                     |
| 04-15    | Laptops for Police Vehicles                             | 340.57                 |                        |                        | 340.57                 |                                       | 340.57               |  |                                     |
| 04-15    | Clerk Office Computers                                  | 2,263.61               |                        |                        | 2,263.61               |                                       | 2,263.61             |  |                                     |
| 05-08    | Fire Department Communications Devices                  | 1,554.89               |                        |                        | 1,554.89               |                                       | 1,554.89             |  |                                     |
| 05-09    | Purchase Various Equipment                              | 1,744.08               |                        |                        | 1,744.08               |                                       | 1,744.08             |  |                                     |
| 05-10    | Dunellen Redevelopment Project                          | 3,810.07               |                        |                        | 3,810.07               |                                       | 3,810.07             |  |                                     |
| 05-12    | Resurfacing of Whittier Avenue                          | 4,897.05               |                        |                        | 4,897.05               |                                       | 4,897.05             |  |                                     |
| 05-20    | Emergency equipment                                     | 264.80                 |                        |                        | 264.80                 |                                       | 264.80               |  |                                     |
| 06-12    | Construct Culvert under Railroad                        | 200,000.00             |                        |                        | 200,000.00             | 8,000.00                              |                      |  | 200,000.00                          |
| 06-18    | Supplemental Appropriation - Sanitary Sewer             | 9,000.00               |                        | 1,000.00               | 8,000.00               |                                       |                      |  |                                     |
| 06-25    | Acquisition of Equipment                                | 585.43                 |                        |                        | 585.43                 |                                       | 585.43               |  |                                     |
| 07-02    | Various Capital Improvements                            | 3,548.42               |                        |                        | 3,548.42               |                                       | 2,116.59             |  | 1,431.83                            |
| 07-15    | McCoy Park Improvements                                 | 313.29                 |                        |                        | 313.29                 |                                       | 313.29               |  |                                     |
| 07-18    | West 4th Street Improvements                            | 1,106.06               |                        |                        | 1,106.06               |                                       | 1,106.06             |  |                                     |
| 07-21    | Boiler Replacement in Municipal Building                | 798.81                 |                        |                        | 798.81                 |                                       | 798.81               |  |                                     |
| 08-07    | First Street Phase II Improvements                      | 129,750.00             |                        |                        | 129,750.00             |                                       | 612.72               |  | 129,137.28                          |
| 08-08B   | Manhole Covers  | 548.07                 |                        |                        | 548.07                 |                                       | 548.07               |  |                                     |
| 08-17    | McCoy Park Improvements - Amended                       | 427.25                 |                        |                        | 427.25                 |                                       | 427.25               |  |                                     |
| 08-22C   | Diesel Mason Dump Truck                                 | 540.03                 |                        |                        | 540.03                 |                                       | 540.03               |  |                                     |
| 09-10    | Acquisition of Property                                 | 55,250.00              |                        |                        | 55,250.00              |                                       | 831.00               |  | 54,419.00                           |
| 09-14    | Streetscape Improvements                                | 250.00                 |                        |                        | 250.00                 |                                       | 250.00               |  |                                     |
| 10-05    | Sewer System Improvements                               | 171,000.00             |                        |                        | 171,000.00             |                                       |                      |  | 171,000.00                          |
| 10-10    | Improvements to Fairview Avenue                         | 50,500.00              |                        |                        | 50,500.00              | 52,000.00                             |                      |  | 50,500.00                           |
| 11-11    | Improvements to Dunellen Avenue                         | 58,500.00              |                        | 6,500.00               | 52,000.00              | 29,600.00                             |                      |  | 50.00                               |
| 12-11    | Various Capital Improvements                            | 33,350.00              |                        | 3,700.00               | 29,650.00              | 60,800.00                             |                      |  |                                     |
| 12-16    | Improvements to Dunellen Avenue - Phase II              | 68,400.00              |                        | 7,600.00               | 60,800.00              | 206,500.00                            |                      |  | 6,500.00                            |
| 13-07    | Various Capital Improvements                            | 231,500.00             |                        | 25,000.00              | 206,500.00             | 200,000.00                            |                      |  | 25,678.29                           |
| 14-03    | Various General Improvements                            | 190,000.00             |                        |                        | 190,000.00             | 163,000.00                            |                      |  | 25,678.29                           |
| 15-05    | Improvements to Madison Avenue                          | 700,000.00             |                        |                        | 700,000.00             |                                       | 1,321.71             |  | 6,500.00                            |
| 15-06    | Streetscape Improvements - Washington Ave and North Ave | 900,000.00             |                        |                        | 900,000.00             |                                       | 123,120.86           |  | 576,879.14                          |
| 15-07    | Acquisition of a Fire Pumper                            | 547,000.00             |                        |                        | 547,000.00             |                                       | 134,059.84           |  | 765,940.16                          |
| 15-08    | Various Capital Improvements                            | 152,000.00             |                        |                        | 152,000.00             |                                       | 527,955.00           |  | 19,045.00                           |
| 15-10    | Acquisition of Dispatch Equipment                       | 176,000.00             |                        |                        | 176,000.00             |                                       | 126,459.63           |  | 25,540.37                           |
|          |   | <u>\$ 1,367,182.12</u> | <u>\$ 2,475,000.00</u> | <u>\$ 67,800.00</u>    | <u>\$ 3,774,382.12</u> | <u>\$ 625,400.00</u>                  | <u>\$ 946,611.05</u> |  | <u>\$ 2,202,371.07</u>              |

Ref.

Unexpended Balances of Unfunded Improv. Authors.  
Less: Unexpended Proceeds of Bond Anticipation Notes

\$ 2,312,179.72  
109,808.65  
\$ 2,202,371.07

SCHEDULE OF INTERFUNDS  
GENERAL CAPITAL FUND

|  | <u>REF.</u> | <u>TOTAL</u>         | <u>CURRENT<br/>FUND</u> | <u>TRUST<br/>FUND</u>  |
|--|-------------|----------------------|-------------------------|------------------------|
| Balance - December 31, 2014<br>Due from/(to)                     | C           | \$ 617,520.19        | \$ 717,520.19           | \$ (100,000.00)        |
| Increased by:  |             |                      |                         |                        |
| Bond Anticipation Notes Sold                                     | C- 9        | 625,400.00           | 625,400.00              |                        |
| Funded by Grants   | C- 3        | 262,500.00           | 262,500.00              |                        |
| Deferred Charges - Unfunded - Budget Approp                      | C- 5        | 67,800.00            | 67,800.00               |                        |
| 2015 Budget Appropriations:<br>Capital Improvement Fund          | C- 7        | <u>15,000.00</u>     | <u>15,000.00</u>        |                        |
|  |             | <u>1,588,220.19</u>  | <u>1,688,220.19</u>     | <u>(100,000.00)</u>    |
| Decreased by:  |             |                      |                         |                        |
| Improvement Authorization Expenditures<br>Paid by Current Fund   | C- 8        | 700,104.61           | 700,104.61              |                        |
| Bond Anticipation Notes Redeemed                                 | C- 9        | 520,200.00           | 520,200.00              |                        |
| 2015 Current Fund Budget Revenue -<br>- Reserve for Debt Service | C-13        | <u>38,000.00</u>     | <u>38,000.00</u>        |                        |
|  |             | <u>1,258,304.61</u>  | <u>1,258,304.61</u>     | -                      |
| Balance - December 31, 2015<br>Due from/(to)                     | C           | <u>\$ 329,915.58</u> | <u>\$ 429,915.58</u>    | <u>\$ (100,000.00)</u> |

SCHEDULE OF CAPITAL IMPROVEMENT FUND

|                                   | <u>REF.</u> |                     |
|-----------------------------------|-------------|---------------------|
| Balance - December 31, 2014       | C           | \$ 62,855.05        |
| Increased by:                     |             |                     |
| 2015 Budget Appropriation         | C- 6        | <u>15,000.00</u>    |
|                                   |             | 77,855.05           |
| Decreased by:                     |             |                     |
| Improvement Authorizations Funded | C- 8        | <u>45,000.00</u>    |
| Balance - December 31, 2015       | C           | <u>\$ 32,855.05</u> |

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND

| ORD. NO. | IMPROVEMENT DESCRIPTION   | ORDINANCE DATE | AMOUNT        | BALANCE - DEC. 31, 2014 |                 | 2015 AUTHORIZATIONS |                     | PAID OR CHARGED | 2015 ENCUMBRANCES | BALANCE - DEC. 31, 2015 |                 |
|----------|---|----------------|---------------|-------------------------|-----------------|---------------------|---------------------|-----------------|-------------------|-------------------------|-----------------|
|          |   |                |               | FUNDED                  | UNFUNDED        | CAP IMPROV. FUND    | DEFERRED - UNFUNDED |                 |                   | FUNDED                  | UNFUNDED        |
| 04-07    | Improvement to Streetscape (NJ DOT \$200,000)                             | 04/19/04       | \$ 275,000.00 | \$ 8,229.67             |                 |                     |                     | \$ 121.43       | \$ 12,154.15      | \$ 155,228.12           | \$ 8,108.24     |
| 05-21    | Supplemental Appropriation - Columbia Park                                | 11/21/05       | 500,000.00    | 155,228.12              |                 |                     |                     |                 |                   | 898,322.03              | 200,000.00      |
| 06-12    | Construct Culvert under Railroad  | 08/07/06       | 1,300,000.00  | 898,329.03              | 200,000.00      |                     |                     | 817.25          | 3,143.39          | 1,983.60                | 8,000.00        |
| 06-18    | Supplemental Appropriation - Sanitary Sewer                               | 09/25/06       | 300,000.00    | 1,000.00                | 9,000.00        |                     |                     | 16.40           |                   |                         | 1,431.83        |
| 07-02    | Various Capital Improvements  | 02/19/07       | 48,000.00     |                         | 1,431.83        |                     |                     |                 |                   |                         | 129,137.28      |
| 08-07    | First Street Phase II Improvements (\$235,000 NJ DOT)                     | 04/07/08       | 420,000.00    |                         | 129,137.28      |                     |                     |                 |                   |                         | 2,023.50        |
| 08-08C   | Various Improvement - Computers, Radar Equip                              | 04/07/08       | 25,000.00     | 2,023.50                |                 |                     |                     |                 |                   |                         | 2,842.78        |
| 08-22A   | Overhead Garage Door  | 12/01/08       | 12,000.00     | 2,842.78                |                 |                     |                     |                 |                   |                         | 205.28          |
| 08-22B   | Telephone System  | 12/01/08       | 40,000.00     | 205.28                  |                 |                     |                     |                 |                   |                         |                 |
| 09-10    | Acquisition of Property   | 08/03/09       | 2,175,000.00  |                         | 54,419.00       |                     |                     |                 |                   |                         |                 |
| 09-10    | Acquisition of Property   | 09/21/09       | 5,000.00      | 1,010.00                |                 |                     |                     |                 |                   |                         | 1,010.00        |
| 09-12A   | McCoy Park Improvements   | 09/21/09       | 40,000.00     | 19,118.03               |                 |                     |                     |                 |                   |                         | 19,118.03       |
| 09-12B   | Repaving Portion of Madison Avenue  | 09/21/09       | 45,000.00     | 2,448.53                |                 |                     |                     |                 |                   |                         | 2,448.53        |
| 09-12D   | Purchase Diesel Pick-up Truck   | 09/21/09       | 27,000.00     | 12,340.92               |                 |                     |                     |                 |                   |                         | 12,340.92       |
| 09-12E   | Replace Fire House Roof   | 09/21/09       | 5,000.00      | 3,383.50                |                 |                     |                     |                 |                   |                         | 3,383.50        |
| 09-12F   | Replace Fire House Furnace  | 09/21/09       | 25,000.00     | 3,029.51                |                 |                     |                     |                 |                   |                         | 3,029.51        |
| 09-12H   | Improvements to Air House   | 09/21/09       | 15,000.00     | 2,160.56                |                 |                     |                     |                 |                   |                         | 2,160.56        |
| 09-12I   | Replacement of Cell Block Plumbing  | 09/21/09       | 16,000.00     | 2,282.21                |                 |                     |                     |                 |                   |                         | 2,282.21        |
| 09-12J   | Acquisition of Dictograph for Police Department                           | 09/21/09       | 18,000.00     | 840.61                  |                 |                     |                     |                 |                   |                         | 840.61          |
| 09-12K   | Improvements to Dispatch Area   | 09/21/09       | 40,000.00     | 160.61                  |                 |                     |                     |                 |                   |                         | 160.61          |
| 09-12L   | Acquisition of Fire House Generator                                       | 09/21/09       | 95,000.00     |                         |                 |                     |                     |                 | 94,581.26         |                         |                 |
| 09-14    | Streetscape Improvements  | 12/07/09       | 180,000.00    | 8,580.73                | 171,000.00      |                     |                     |                 |                   | 8,580.73                | 171,000.00      |
| 10-05    | Sewer System Improvements   | 06/07/10       | 450,000.00    | 30,862.29               | 50,500.00       |                     |                     |                 |                   | 30,862.29               | 50,500.00       |
| 10-10    | Improvements to Fairview Avenue (\$360,000 NJ DOT)                        | 08/02/10       | 450,000.00    | 28,388.48               | 58,500.00       |                     |                     | 47,108.28       | 31,103.48         | 8,676.72                | 8,676.72        |
| 11-11    | Improvements to Dunellen Avenue (\$350,000 NJ DOT)                        | 09/19/11       | 770,000.00    | 51,125.29               | 33,350.00       |                     |                     | 2,080.93        |                   | 52,744.36               | 29,650.00       |
| 12-11    | Various Capital Improvements  | 06/18/12       | 430,000.00    | 322,897.49              | 68,400.00       |                     |                     | 391,595.49      | 600.25            |                         |                 |
| 12-16    | Improvements to Dunellen Avenue - Phase II (\$350,000 NJ DOT)             | 12/03/12       | 270,000.00    | 81,762.91               | 190,000.00      |                     |                     | 409.92          | 19,179.30         |                         | 62,173.69       |
| 13-07    | Various Capital Improvements  | 08/13/13       | 230,000.00    | 32,341.00               |                 |                     |                     | 196,662.71      |                   |                         | 25,678.29       |
| 14-03    | Various General Improvements  | 09/08/14       | 700,000.00    |                         |                 |                     |                     | 40,354.86       | 82,766.00         |                         | 576,879.14      |
| 15-05    | Improvements to Madison Avenue (\$537,500 NJDOT)                          | 08/03/15       | 900,000.00    |                         |                 |                     |                     | 14,187.34       | 119,872.50        |                         | 765,940.16      |
| 15-06    | Streetscape Improvements - Washington Ave and North Ave (\$700,000 NJDOT) | 09/08/15       | 575,000.00    | 28,000.00               |                 |                     |                     | 450.00          | 555,505.00        |                         | 19,045.00       |
| 15-07    | Acquisition of a Fire Pumper  | 10/05/15       | 160,000.00    | 8,000.00                |                 |                     |                     | 6,500.00        | 128,159.63        |                         | 25,540.37       |
| 15-08    | Various Capital Improvements  | 12/07/15       | 185,000.00    | 9,000.00                |                 |                     |                     |                 |                   | 9,000.00                | 176,000.00      |
| 15-10    | Acquisition of Dispatch Equipment   |                |               |                         |                 |                     |                     |                 |                   |                         |                 |
|          |   |                |               | \$ 1,580,661.47         | \$ 1,055,730.69 | \$ 45,000.00        | \$ 2,475,000.00     | \$ 700,104.61   | \$ 1,047,064.96   | \$ 1,208,567.17         | \$ 2,312,179.72 |
|          |   |                |               | C                       | C               | C-7                 | C-5                 | C-6             | C                 | C                       | C               |

Ref.

SCHEDULE OF BOND ANTICIPATION NOTES

| ORD. NO.    | IMPROVEMENT DESCRIPTION                     | ORIGINAL DATE OF ISSUE | DATE OF ISSUE | DATE OF MATURITY | INTEREST RATE | BALANCE DEC. 31, 2014 | INCREASED            | DECREASED            | BALANCE DEC. 31, 2015 |
|-------------|---|------------------------|---------------|------------------|---------------|-----------------------|----------------------|----------------------|-----------------------|
| 01-09/02-01 | Sanitary Sewer Pump System Improvements     | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | \$ 45,000.00          | \$ 40,000.00         | \$ 45,000.00         | \$ 40,000.00          |
| 04-01       | Columbia Park Improvements                  | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | 31,500.00             | 28,000.00            | 31,500.00            | 28,000.00             |
| 04-07       | Streetscape Improvements                    | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | 49,500.00             | 44,000.00            | 49,500.00            | 44,000.00             |
| 06-18       | Supplemental Appropriation - Sanitary Sewer | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | 9,000.00              | 8,000.00             | 9,000.00             | 8,000.00              |
| 11-11       | Improvements to Dunellen Avenue             | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | 58,500.00             | 52,000.00            | 58,500.00            | 52,000.00             |
| 12-11       | Various Capital Improvements                | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | 33,300.00             | 29,600.00            | 33,300.00            | 29,600.00             |
| 12-16       | Improvements to Dunellen Avenue - Phase II  | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | 68,400.00             | 60,800.00            | 68,400.00            | 60,800.00             |
| 13-07       | Various General Improvements                | 09/11/13               | 06/17/15      | 06/16/16         | 0.92%         | 225,000.00            | 200,000.00           | 225,000.00           | 200,000.00            |
| 14-03       | Various General Improvements                | 06/17/15               | 06/17/15      | 06/16/16         | 0.92%         |                       | 163,000.00           |                      | 163,000.00            |
|             |   |                        |               |                  |               | <u>\$ 520,200.00</u>  | <u>\$ 625,400.00</u> | <u>\$ 520,200.00</u> | <u>\$ 625,400.00</u>  |

Ref.

C

C-6

C-6

C

SCHEDULE OF INFRASTRUCTURE  
TRUST LOAN PAYABLE

| DESCRIPTION   | DATE OF ISSUE | AMOUNT OF ISSUE | INTEREST RATE | MATURITIES OF LOANS DATE | AMOUNT        | BALANCE       | BALANCE       |
|---|---------------|-----------------|---------------|--------------------------|---------------|---------------|---------------|
|   |               |                 |               |                          |               | DEC. 31, 2014 | DEC. 31, 2015 |
| New Jersey Environmental Infrastructure Trust 2002 A Loan | 11/7/02       | \$900,000.00    | 5.00%         | 8/1/16-17                | \$ 55,000.00  | \$ 480,000.00 | \$ 430,000.00 |
|   |               |                 | 5.00%         | 8/1/18-19                | 60,000.00     |               |               |
|   |               |                 | 5.00%         | 8/1/20-21                | 65,000.00     |               |               |
|   |               |                 | 4.75%         | 08/01/22                 | 70,000.00     |               |               |
|   |               |                 |               |                          | \$ 480,000.00 | \$ 50,000.00  | \$ 430,000.00 |

Ref.

C

C-4

C

SCHEDULE OF INFRASTRUCTURE  
FUND LOAN PAYABLE

| DESCRIPTION  | DATE OF ISSUE | AMOUNT OF ISSUE | YEAR | SEMI-ANNUAL PRINCIPAL |              | BALANCE       | BALANCE       |
|--|---------------|-----------------|------|-----------------------|--------------|---------------|---------------|
|  |               |                 |      | 1-Feb                 | 1-Aug        | DEC. 31, 2014 | DEC. 31, 2015 |
| New Jersey Environmental Infrastructure Fund 2002 A Loan | 11/7/02       | \$945,475.00    | 2016 | \$ 6,969.02           | \$ 42,917.10 | \$ 386,997.51 | \$ 338,745.40 |
|  |               |                 | 2017 | 6,070.32              | 42,018.55    |               |               |
|  |               |                 | 2018 | 5,171.62              | 44,387.70    |               |               |
|  |               |                 | 2019 | 4,191.21              | 43,407.30    |               |               |
|  |               |                 | 2020 | 3,210.81              | 45,694.90    |               |               |
|  |               |                 | 2021 | 2,148.71              | 44,632.80    |               |               |
|  |               |                 | 2022 | 1,086.61              | 46,838.75    |               |               |
|  |               |                 |      |                       |              | \$ 386,997.51 | \$ 48,252.11  |
|  |               |                 |      |                       |              | \$ 386,997.51 | \$ 338,745.40 |

Ref.

C

C-4

C



SCHEDULE OF RESERVE FOR PAYMENT OF  
FUTURE DEBT SERVICE

|                                  | <u>REF.</u> |                            |
|----------------------------------|-------------|----------------------------|
| Balance - December 31, 2014      | C           | \$ 77,557.48               |
| Decreased by:                    |             |                            |
| 2015 Current Fund Budget Revenue | C-6         | <u>38,000.00</u>           |
| Balance - December 31, 2015      | C           | <u><u>\$ 39,557.48</u></u> |

GENERAL CAPITAL FUND  
SCHEDULE OF RESERVES FOR GRANTS RECEIVABLE

|  | Grants<br>Awarded      | December 31,<br>2015   |
|--|------------------------|------------------------|
| Reserve for:                                       |                        |                        |
| Improvements to Madison Avenue                     | \$ 537,500.00          | \$ 537,500.00          |
| Streetscape Improvements - Washington Ave - NJ DOT | 300,000.00             | 300,000.00             |
| Streetscape Improvements - North Ave - NJ DOT      | 400,000.00             | 400,000.00             |
| <b>Total</b>                                       | <b>\$ 1,237,500.00</b> | <b>\$ 1,237,500.00</b> |

Ref.      C-4      C

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

| ORD. NO. | IMPROVEMENT DESCRIPTION                                 | BALANCE DEC. 31, 2014 | 2015 AUTHORIZATIONS    | BANS REDEEMED        | PAID BY BUDGET APPROP. | BAN'S ISSUED         | BALANCE DEC. 31, 2015  |
|----------|---|-----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|
|          | <u>General Improvements</u>                             |                       |                        |                      |                        |                      |                        |
| 01-09/   | Sanitary Sewer /Pump Station Improvs. (Amended)         | \$ 3,819.42           | \$                     | \$ 45,000.00         | \$ 5,000.00            | \$ 40,000.00         | \$ 3,819.42            |
| 02-01    | Road Improvements Madison Ave.                          | 278.11                |                        |                      |                        |                      | 278.11                 |
| 02-08    | Various Purchases                                       | 2,837.94              |                        |                      |                        |                      | 2,837.94               |
| 02-15    | Construction of Field House/Senior Center               | 12,746.85             |                        |                      | 10,000.00              |                      | 2,746.85               |
| 03-19    | High Street Improvements                                | 32.39                 |                        |                      |                        |                      | 32.39                  |
| 03-22    | Columbia Park Improvements                              | 584.01                |                        | 31,500.00            | 3,500.00               | 28,000.00            | 584.01                 |
| 04-01    | Streetscape Improvements                                | 250.00                |                        | 49,500.00            | 5,500.00               | 44,000.00            | 250.00                 |
| 04-07    | Breathalyzer  | 390.97                |                        |                      |                        |                      | 390.97                 |
| 04-15A   | Laptops for Police Vehicles                             | 340.57                |                        |                      |                        |                      | 340.57                 |
| 04-15B   | Clerk Office Computers                                  | 2,263.61              |                        |                      |                        |                      | 2,263.61               |
| 04-15E   | Fire Department Communications Devices                  | 1,554.89              |                        |                      |                        |                      | 1,554.89               |
| 05-08    | Purchase Various Equipment                              | 1,744.08              |                        |                      |                        |                      | 1,744.08               |
| 05-09    | Dunellen Redevelopment Project                          | 3,810.07              |                        |                      |                        |                      | 3,810.07               |
| 05-10    | Resurfacing of Whittier Avenue                          | 4,897.05              |                        |                      |                        |                      | 4,897.05               |
| 05-12    | Emergency equipment                                     | 264.80                |                        |                      |                        |                      | 264.80                 |
| 05-20    | Construct Culvert under Railroad                        | 200,000.00            |                        | 9,000.00             | 1,000.00               | 8,000.00             | 200,000.00             |
| 06-12    | Supplemental Appropriation - Sanitary Sewer             | -                     |                        |                      |                        |                      | -                      |
| 06-18    | Acquisition of Equipment                                | 585.43                |                        |                      |                        |                      | 585.43                 |
| 07-02    | Various Capital Improvements                            | 3,548.42              |                        |                      |                        |                      | 3,548.42               |
| 07-15    | McCoy Park Improvements                                 | 313.29                |                        |                      |                        |                      | 313.29                 |
| 07-18    | West 4th Street Improvements                            | 1,106.06              |                        |                      |                        |                      | 1,106.06               |
| 07-21    | Boiler Replacement in Municipal Building                | 798.81                |                        |                      |                        |                      | 798.81                 |
| 08-07    | First Street Phase II Improvements                      | 129,750.00            |                        |                      |                        |                      | 129,750.00             |
| 08-08B   | Manhole Covers  | 548.07                |                        |                      |                        |                      | 548.07                 |
| 08-17    | McCoy Park Improvements - Amended                       | 427.25                |                        |                      |                        |                      | 427.25                 |
| 08-22C   | Diesel Mason Dump Truck                                 | 540.03                |                        |                      |                        |                      | 540.03                 |
| 09-10    | Acquisition of Property                                 | 55,250.00             |                        |                      |                        |                      | 55,250.00              |
| 09-14    | Streetscape Improvements                                | 250.00                |                        |                      |                        |                      | 250.00                 |
| 10-05    | Sewer System Improvements                               | 171,000.00            |                        |                      |                        |                      | 171,000.00             |
| 10-10    | Improvements to Fairview Avenue                         | 50,500.00             |                        |                      |                        |                      | 50,500.00              |
| 11-11    | Various Capital Improvements                            | 50.00                 |                        |                      |                        |                      | 50.00                  |
| 12-11    | Improvements to Dunellen Avenue - Phase II              | -                     |                        |                      |                        |                      | -                      |
| 12-16    | Various Capital Improvements                            | -                     |                        |                      |                        |                      | -                      |
| 13-07    | Improvements to Dunellen Avenue                         | 6,500.00              |                        |                      | 6,500.00               | 52,000.00            | 6,500.00               |
| 14-03    | Various General Improvements                            | 190,000.00            |                        |                      | 3,700.00               | 29,600.00            | 27,000.00              |
| 15-05    | Improvements to Madison Avenue                          |                       | 700,000.00             |                      |                        |                      | 700,000.00             |
| 15-06    | Streetscape Improvements - Washington Ave and North Ave |                       | 900,000.00             |                      |                        |                      | 900,000.00             |
| 15-07    | Acquisition of a Fire Pumper                            |                       | 547,000.00             |                      |                        |                      | 547,000.00             |
| 15-08    | Various Capital Improvements                            |                       | 152,000.00             |                      |                        |                      | 152,000.00             |
| 15-10    | Acquisition of Dispatch Equipment                       |                       | 176,000.00             |                      |                        |                      | 176,000.00             |
|          |   | <u>\$ 846,982.12</u>  | <u>\$ 2,475,000.00</u> | <u>\$ 520,200.00</u> | <u>\$ 67,800.00</u>    | <u>\$ 625,400.00</u> | <u>\$ 3,148,982.12</u> |

Ref.

C

SEWER UTILITY FUND

SCHEDULE OF SEWER UTILITY  
CASH AND INVESTMENTS - TREASURER

|                                | <u>REF.</u> | <u>OPERATING<br/>FUND</u> |
|--------------------------------|-------------|---------------------------|
| Balance - December 31, 2014    | D           | \$ 124,043.79             |
| Increased by Receipts:         |             |                           |
| Int. on Investments & Deposits | D- 2        | <u>62.05</u>              |
| Balance - December 31, 2015    | D           | <u>\$ 124,105.84</u>      |

SCHEDULE OF SEWER RENTS RECEIVABLE

|                             | <u>REF.</u> |                      |
|-----------------------------|-------------|----------------------|
| Balance - December 31, 2014 | D           | \$ 119,663.75        |
| Increased by:               |             |                      |
| 2015 Sewer Service Charges  | Reserve     | <u>794,200.41</u>    |
|                             |             | 913,864.16           |
| Decreased by:               |             |                      |
| 2015 Collections:           |             |                      |
| Collector                   | D-1, D-2    | <u>785,603.42</u>    |
| Balance - December 31, 2015 | D           | <u>\$ 128,260.74</u> |

SCHEDULE OF SEWER RENT OVERPAYMENTS

|  | <u>REF.</u> |                         |
|--|-------------|-------------------------|
| Balance - December 31, 2014                | D           | \$ 584.61               |
| Increased by:                              |             |                         |
| Cash Overpayments Collected -<br>Collector | D-7         | <u>481.75</u>           |
|  |             | 1,066.36                |
| Decreased by:                              |             |                         |
| Refunds                                    | D-7         | <u>341.43</u>           |
| Balance - December 31, 2015                | D           | <u><u>\$ 724.93</u></u> |

SCHEDULE OF INTERFUNDS RECEIVABLE/PAYABLE

|                                    | <u>REF.</u> | <u>Total</u>     | <u>Current Fund</u> | <u>Sewer Capital Fund</u> |
|------------------------------------|-------------|------------------|---------------------|---------------------------|
| Balance - December 31, 2014        |             |                  |                     |                           |
| (Due From)                         | D           | \$ 71,677.15     | \$ 71,677.15        |                           |
| (Due To)                           | D           | 30,000.00        |                     | \$ 30,000.00              |
| Increased by:                      |             |                  |                     |                           |
| Receipts deposited in Current Fund | D- 2        | 785,603.42       | 785,603.42          |                           |
| Interest and Costs on Taxes        | D- 2        | 13,655.64        | 13,655.64           |                           |
| Tax Overpayment Collected          | D- 6        | 481.75           | 481.75              |                           |
| Capital Improvement Fund           | D- 3        | <u>30,000.00</u> |                     | <u>30,000.00</u>          |
|                                    |             | 829,740.81       | 799,740.81          | 30,000.00                 |
| Decreased by:                      |             |                  |                     |                           |
| Disbursements paid by Current Fund | D- 3        | 700,967.44       | 700,967.44          |                           |
| Disbursements paid by Current Fund | D- 8        | 62,549.48        | 62,549.48           |                           |
| Tax Overpayment Refunded           | D- 6        | <u>341.43</u>    | <u>341.43</u>       |                           |
|                                    |             | 763,858.35       | 763,858.35          | -                         |
| Balance - December 31, 2015        |             |                  |                     |                           |
| (Due From)                         | D           | \$ 107,559.61    | \$ 107,559.61       |                           |
| (Due To)                           | D           | <u>60,000.00</u> |                     | <u>\$ 60,000.00</u>       |

SCHEDULE OF 2014 APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND

|                       | BALANCE<br>DECEMBER 31, 2014 | BALANCE<br>AFTER<br>TRANSFERS | PAID OR<br>CHARGED  | BALANCED<br>LAPSED  |
|-----------------------|------------------------------|-------------------------------|---------------------|---------------------|
|                       | APROPRIATION<br>RESERVES     | RESERVE FOR<br>ENCUMBRANCES   |                     |                     |
| Operations:           |                              |                               |                     |                     |
| Salaries and Wages    | \$ 9,783.70                  | \$                            | \$ 482.48           | \$ 9,301.22         |
| Other Expenses        | 9,114.55                     | 21,840.00                     | 22,067.00           | 8,887.55            |
| Total Operations      | <u>18,898.25</u>             | <u>21,840.00</u>              | <u>22,549.48</u>    | <u>18,188.77</u>    |
| Capital Improvements: |                              |                               |                     |                     |
| Capital Outlay        | <u>40,800.00</u>             |                               | <u>40,000.00</u>    | <u>800.00</u>       |
|                       | <u>\$ 59,698.25</u>          | <u>\$ 21,840.00</u>           | <u>\$ 62,549.48</u> | <u>\$ 18,988.77</u> |

REF.

D

D

D-7

D-1

Exhibit - D-9

SCHEDULE OF SEWER LIENS RECEIVABLE

|                             | <u>REF.</u> |                  |
|-----------------------------|-------------|------------------|
| Balance - December 31, 2014 | D           | \$ 680.00        |
| Balance - December 31, 2015 | D           | <u>\$ 680.00</u> |

Exhibit - D-10

SCHEDULE OF DUE FROM SEWER UTILITY OPERATING FUND

|                             | <u>REF.</u> |                     |
|-----------------------------|-------------|---------------------|
| Balance - December 31, 2014 | D           | \$ 30,000.00        |
| Increased by:               |             |                     |
| Capital Improvement Fund    | D-11        | <u>30,000.00</u>    |
| Balance - December 31, 2015 | D           | <u>\$ 60,000.00</u> |

Exhibit - D-11

SCHEDULE OF CAPITAL IMPROVEMENT FUND

|                                       | <u>REF.</u> |                     |
|---------------------------------------|-------------|---------------------|
| Balance - December 31, 2014           | D           | \$ 30,000.00        |
| Increased by:                         |             |                     |
| Due from Sewer Utility Operating Fund | D-10        | <u>30,000.00</u>    |
| Balance - December 31, 2015           | D           | <u>\$ 60,000.00</u> |

SCHEDULE OF FIXED CAPITAL

|                                     | <u>BALANCE</u><br><u>DEC. 31, 2014</u> | <u>BALANCE</u><br><u>DEC. 31, 2015</u> |
|-------------------------------------|--|--|
| Various Infrastructure - Adjustment | <u>\$ 24,125,000.00</u>                | <u>\$ 24,125,000.00</u>                |
|                                     | <u>Ref.</u> D                          | D                                      |

Exhibit -D-13

SCHEDULE OF RESERVE FOR AMORTIZATION

|                             | <u>REF.</u> |                         |
|-----------------------------|-------------|-------------------------|
| Balance - December 31, 2014 | D           | \$ 24,125,000.00        |
| Balance - December 31, 2015 | D           | <u>\$ 24,125,000.00</u> |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY



PART IV  
SUPPLEMENTARY DATA

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

COMBINED BALANCE SHEET ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | CURRENT FUND           | GRANT FUND           | TRUST FUND           | GENERAL CAPITAL FUND   | SEWER UTILITY FUND      | GOVERNMENTAL FIXED ASSETS | MEMORANDUM ONLY TOTALS  |                         |
|---|------------------------|----------------------|----------------------|------------------------|-------------------------|---------------------------|-------------------------|-------------------------|
|   |                        |                      |                      |                        |                         |                           | BALANCE DEC. 31, 2015   | BALANCE DEC. 31, 2014   |
| <b>ASSETS</b>   |                        |                      |                      |                        |                         |                           |                         |                         |
| Cash and Investments  | \$ 2,106,010.04        | \$                   | \$ 97,331.03         | \$                     | \$ 124,105.84           |                           | \$ 2,327,446.91         | \$ 2,496,080.32         |
| Accounts Receivable:  |                        |                      |                      |                        |                         |                           |                         |                         |
| State and Federal Grants  |                        | 400,545.77           |                      | \$ 2,426,364.71        |                         |                           | 2,826,910.48            | 1,882,783.91            |
| Due from State of N.J.  | 60,372.30              |                      |                      |                        |                         |                           | 60,372.30               | 61,122.30               |
| Taxes, Assmts. and Liens  | 311,314.80             |                      |                      |                        | 128,940.74              |                           | 440,255.54              | 494,273.28              |
| Property Acquired for Taxes   | 118,000.00             |                      |                      |                        |                         |                           | 118,000.00              | 118,000.00              |
| Interfund Loans   |                        | 68,042.70            | 600,127.32           | 429,915.58             | 167,559.61              |                           | 1,265,645.21            | 1,341,308.69            |
| Other Accounts Receivable   | 17,339.23              |                      |                      |                        |                         |                           | 17,339.23               | 22,333.07               |
| Deferred Charges to Revenue of Succeeding Years                             | 104,000.00             |                      |                      |                        |                         |                           | 104,000.00              | 96,000.00               |
| Deferred Charges to Future Taxation:  |                        |                      |                      |                        |                         |                           |                         |                         |
| General Capital   |                        |                      |                      | 6,329,828.87           |                         |                           | 6,329,828.87            | 4,288,991.47            |
| Governmental Fixed Assets   |                        |                      |                      |                        |                         | 7,586,670.00              | 7,586,670.00            | 6,522,846.00            |
| Utility Fixed Capital   |                        |                      |                      |                        | 24,125,000.00           |                           | 24,125,000.00           | 24,125,000.00           |
| <b>Total Assets</b>   | <b>\$ 2,717,036.37</b> | <b>\$ 468,588.47</b> | <b>\$ 697,458.35</b> | <b>\$ 9,186,109.16</b> | <b>\$ 24,545,606.19</b> | <b>\$ 7,586,670.00</b>    | <b>\$ 45,201,468.54</b> | <b>\$ 41,448,739.04</b> |
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>                               |                        |                      |                      |                        |                         |                           |                         |                         |
| Bonds and Notes Payable   |                        |                      |                      | \$ 625,400.00          |                         |                           | \$ 625,400.00           | \$ 520,200.00           |
| Loans Payable   |                        |                      |                      | 768,745.40             |                         |                           | 768,745.40              | 866,997.51              |
| Lease Payable   |                        |                      |                      | 1,786,701.35           |                         |                           | 1,786,701.35            | 2,054,811.84            |
| Prepaid Taxes   | 48,025.25              |                      |                      |                        |                         |                           | 48,025.25               | 57,795.91               |
| Tax and Other Overpayments  | 53,740.34              |                      |                      |                        | 724.93                  |                           | 54,465.27               | 56,383.86               |
| Appropriation Reserves  | 205,003.75             |                      |                      |                        | 41,979.08               |                           | 246,982.83              | 222,618.18              |
| Reserve for Encumbrances  | 62,020.55              | 18.42                |                      | 1,047,064.96           | 11,653.48               |                           | 1,120,757.41            | 204,045.77              |
| Amounts Pledged to Specific Purposes  | 167,198.83             | 468,570.05           | 697,458.35           |                        |                         |                           | 1,333,227.23            | 1,209,299.17            |
| Improvement Authorizations  |                        |                      |                      | 3,520,746.89           |                         |                           | 3,520,746.89            | 2,636,392.16            |
| Interfund Loans   | 1,105,645.21           |                      |                      | 100,000.00             | 60,000.00               |                           | 1,265,645.21            | 1,341,308.69            |
| Other Liabilities   | 84,971.55              |                      |                      | 1,297,095.59           | 60,000.00               | 7,586,670.00              | 1,442,067.14            | 268,857.96              |
| Investments in Governmental Fixed Assets                                    |                        |                      |                      |                        |                         |                           |                         |                         |
| Reserve for Amortization of Costs of Fixed Capital - Acquired or Authorized |                        |                      |                      |                        | 24,125,000.00           |                           | 24,125,000.00           | 24,125,000.00           |
| Reserve for Certain Assets Receivable                                       | 446,654.03             |                      |                      |                        | 128,940.74              |                           | 575,594.77              | 634,606.35              |
| Fund Balance  | 543,776.86             |                      |                      | 40,354.97              | 117,307.96              |                           | 701,439.79              | 727,575.64              |
| <b>Total Liabilities, Reserves and Fund Balance</b>                         | <b>\$ 2,717,036.37</b> | <b>\$ 468,588.47</b> | <b>\$ 697,458.35</b> | <b>\$ 9,186,109.16</b> | <b>\$ 24,545,606.19</b> | <b>\$ 7,586,670.00</b>    | <b>\$ 45,201,468.54</b> | <b>\$ 41,448,739.04</b> |

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

| Revenue and Other<br><u>Income Realized</u>   | 2015                 |               | 2014                 |               |
|---|----------------------|---------------|----------------------|---------------|
|   | <u>Amount</u>        | <u>%</u>      | <u>Amount</u>        | <u>%</u>      |
| Fund Balance Utilized   | \$410,000.00         | 2.10          | \$267,000.00         | 1.38          |
| Miscellaneous - From Other Than<br>Local Property Tax Levies  | 1,343,477.07         | 6.88          | 1,611,599.25         | 8.32          |
| Collection of Delinquent Taxes<br>and Tax Title Liens   | 354,237.15           | 1.81          | 331,387.64           | 1.71          |
| Collection of Current Tax Levy  | 17,314,496.12        | 88.65         | 16,850,959.98        | 87.04         |
| Non-Budget Revenue  | 23,032.39            | 0.12          | 14,343.16            | 0.07          |
| Other Credits   | 85,907.61            | 0.44          | 284,198.23           | 1.47          |
| <b>Total Income</b>   | <b>19,531,150.34</b> | <b>100.00</b> | <b>19,359,488.26</b> | <b>100.00</b> |
| <u>Expenditures</u>   |                      |               |                      |               |
| Budget Expenditures:  |                      |               |                      |               |
| Municipal Purposes  | 6,434,222.15         | 33.47         | 6,488,339.14         | 34.24         |
| County Taxes  | 2,260,939.99         | 11.76         | 2,202,920.93         | 11.63         |
| Local School Taxes  | 10,509,916.00        | 54.68         | 10,256,084.00        | 54.13         |
| Other Expenditures  | 15,917.93            | 0.08          |                      |               |
| <b>Total Expenditures</b>   | <b>19,220,996.07</b> | <b>100.00</b> | <b>18,947,344.07</b> | <b>100.00</b> |
| Excess (Deficit) in Revenue   | 310,154.27           |               | 412,144.19           |               |
| Adj. to Income Before Fund Balance:<br>Expend. Included Above Which are<br>by Statute Deferred Charges to<br>Budget of Succeeding Years | 40,000.00            |               |                      |               |
| Statutory Excess to Fund Balance  | 350,154.27           |               | 412,144.19           |               |
| Fund Balance - Beginning  | 603,622.59           |               | 458,478.40           |               |
| Less:<br>Utilized as Anticipated Revenue  | 410,000.00           |               | 267,000.00           |               |
| <b>Fund Balance - Ending</b>  | <b>\$543,776.86</b>  |               | <b>\$603,622.59</b>  |               |

STATEMENT OF OPERATIONS AND CHANGE  
IN FUND BALANCE - SEWER UTILITY OPERATING FUND

| Revenue and Other<br>Income Realized | 2015                 |               | 2014                |               |
|--------------------------------------|----------------------|---------------|---------------------|---------------|
|                                      | <u>Amount</u>        | <u>%</u>      | <u>Amount</u>       | <u>%</u>      |
| Sewer User Fees                      | \$ 785,603.42        | 96.00         | \$ 786,008.28       | 94.86         |
| Non-Budget Revenue                   | 32,706.46            | 4.00          | 42,553.72           | 5.14          |
| Total Income                         | <u>818,309.88</u>    | <u>100.00</u> | <u>828,562.00</u>   | <u>100.00</u> |
| <u>Expenditures</u>                  |                      |               |                     |               |
| Budget Expenditures:                 |                      |               |                     |               |
| Municipal Purposes                   | <u>784,600.00</u>    | <u>100.00</u> | <u>753,500.00</u>   | <u>100.00</u> |
| Total Expenditures                   | <u>784,600.00</u>    | <u>100.00</u> | <u>753,500.00</u>   | <u>100.00</u> |
| Excess (Deficit) in Revenue          | 33,709.88            |               | 75,062.00           |               |
| Fund Balance - Beginning             | <u>83,598.08</u>     |               | <u>8,536.08</u>     |               |
| Fund Balance - Ending                | <u>\$ 117,307.96</u> |               | <u>\$ 83,598.08</u> |               |

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION\*

|                                   | <u>2015</u>             | <u>2014</u>             | <u>2013</u>             |
|-----------------------------------|-------------------------|-------------------------|-------------------------|
| <u>Tax Rate:</u>                  | <u>\$12.176</u>         | <u>\$11.918</u>         | <u>\$11.771</u>         |
| <u>Apportionment of Tax Rate:</u> |                         |                         |                         |
| Municipal                         | <u>3.202</u>            | <u>3.152</u>            | <u>3.150</u>            |
| Municipal Library                 | <u>0.129</u>            | <u>0.126</u>            | <u>0.130</u>            |
| County                            | <u>1.446</u>            | <u>1.410</u>            | <u>1.393</u>            |
| County Open Space                 | <u>0.118</u>            | <u>0.115</u>            | <u>0.119</u>            |
| Local School                      | <u>7.281</u>            | <u>7.115</u>            | <u>6.979</u>            |
| <u>Assessed Valuation:</u>        |                         |                         |                         |
| 2015                              | <u>\$144,355,226.00</u> |                         |                         |
| 2014                              |                         | <u>\$144,147,726.00</u> |                         |
| 2013                              |                         |                         | <u>\$144,144,076.00</u> |

\*Per Abstract of Ratables, Middlesex County, N.J.

Note: Under the provisions of Chapter 73, L.1976, the County Board of Taxation estimated the amount of approved Veterans and Senior Citizens Tax Deductions for the year 2015 to be \$46,250.00.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

| <u>Year</u> | <u>Tax Levy</u> | <u>CURRENTLY</u>        |                                 |
|-------------|-----------------|-------------------------|---------------------------------|
|             |                 | <u>Cash Collections</u> | <u>Percentage of Collection</u> |
| CY 2015     | \$17,605,327.48 | \$17,314,496.12         | 98.35%                          |
| CY 2014     | 17,221,449.88   | 16,850,959.98           | 97.85%                          |
| CY 2013     | 17,012,808.66   | 16,648,433.45           | 97.86%                          |

COMPARISON OF SEWER UTILITY LEVIES

| <u>YEAR</u> | <u>LEVY</u>   | <u>CASH COLLECTIONS</u> |
|-------------|---------------|-------------------------|
| CY 2015     | \$ 794,200.41 | \$ 785,603.42           |
| CY 2014     | 796,093.45    | 785,328.28              |
| CY 2013     | 802,486.39    | 693,587.81              |

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> |
|-------------|----------------------------------|-----------------------------------|-------------------------|-------------------------------|
| CY 2015     | \$ 18,522.75                     | \$ 292,762.05                     | \$ 311,284.80           | 1.77%                         |
| CY 2014     | 18,552.75                        | 355,376.78                        | 373,929.53              | 2.17%                         |
| CY 2013     | 13,601.74                        | 339,065.25                        | 352,666.99              | 2.07%                         |

COMPARATIVE SCHEDULE OF FUND BALANCES

|              | <u>Year Ended</u> | <u>Balance</u> | <u>Utilized in Budget of Succeeding Year</u> |
|--------------|-------------------|----------------|--|
| Current Fund | CY 2015           | \$ 543,776.86  | \$ 379,000.00                                |
|              | CY 2014           | 603,622.59     | 410,000.00                                   |
|              | CY 2013           | 458,478.40     | 267,000.00                                   |
|              | CY 2012           | 478,434.08     | 237,500.00                                   |
|              | CY 2011           | 26,127.43      | 26,000.00                                    |

|                              | <u>Year Ended</u> | <u>Balance</u> | <u>Utilized in Budget of Succeeding Year</u> |
|------------------------------|-------------------|----------------|--|
| Sewer Utility Operating Fund | CY 2015           | \$ 117,307.96  | \$ 11,200.00                                 |
|                              | CY 2014           | 83,598.08      | None   |
|                              | CY 2013           | 8,536.08       | None   |

Note: 2013 is the 1st year of a Sewer Utility Operating Fund

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2015:

| <u>NAME</u>          | <u>TITLE</u>                              | <u>AMOUNT OF BOND</u> | <u>NAME OF CORPORATE SURETY</u> |
|----------------------|---|-----------------------|---------------------------------|
| Robert J. Seader     | - Mayor                                   |                       |                                 |
| Kenneth Baudendistel | - Councilperson - President               |                       |                                 |
| Kevin Bachorik       | - Councilperson                           |                       |                                 |
| Kenneth Bayer        | - Councilperson                           |                       |                                 |
| Jason Cilento        | - Councilperson                           |                       |                                 |
| Thomas Cote          | - Councilperson (to April 21, 2015)       |                       |                                 |
| Joseph Petracca      | - Councilperson                           |                       |                                 |
| William Robins       | - Borough Clerk/Administrator             |                       |                                 |
| Scott Olsen          | - Chief Financial Officer                 |                       |                                 |
| Raymond Murray       | - Collector-Treasurer, Tax Search Officer | \$125,000.00          | Hartford Insurance Company      |
| John Bruder          | - Attorney                                |                       |                                 |
| Richard Gianchiglia  | - Assessor                                |                       |                                 |
| Dennis Fackelman     | - Magistrate                              |                       |                                 |
| Theresa Crisafulli   | - Court Administrator                     | \$45,000.00           | Selective Insurance Company     |
| Jeffrey E. Nelson    | - Chief of Police                         |                       |                                 |

All other employees were covered under a blanket bond in the amount \$500,000.00 issued by Middlesex County Joint Insurance Fund

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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PART V  
GENERAL COMMENTS AND RECOMMENDATIONS

**BOROUGH OF DUNELLEN  
COUNTY OF MIDDLESEX, NEW JERSEY  
YEAR ENDED DECEMBER 31, 2015**

**GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Borough of Dunellen, County of Middlesex, New Jersey, for the year ended December 31, 2015, has been completed. The General Comments are herewith set forth:

Scope of Audit

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

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

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Dunellen, County of Middlesex, New Jersey as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

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

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

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

## GENERAL COMMENTS

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

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

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

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 8, 2016 on the financial statements of the Borough of Dunellen. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

#### Control Deficiencies:

##### 2015-1 General Ledger Maintenance

The Borough's general ledger records for its trust funds showed cash receipts and cash disbursements posted to the various reserve accounts, but not posted to the cash accounts. Similarly, the general ledger records for its general capital fund showed cash receipts posted to the various assets and liabilities, but not posted the cash accounts. As a result debits did not equal credits. The audit adjustments in amounts that are material to the financial statements were proposed and approved by management based upon the results of our engagement.

We recommend that the Borough maintain a complete General Ledger for both the Trust Fund and General Capital Fund.

##### 2015-2 Segregation of Duties

Conditions exist whereby the same person may collect, record and deposit cash receipts in the following offices - Clerk, Code Enforcement, Police, Recreation, Municipal Court, Finance and Tax Office.

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

## GENERAL COMMENTS

### Other Matters

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

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

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

On September 28, 2015, the Local Public Contracts Law was amended, effective on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent. The maximum bid threshold remains at \$17,500.00 for those municipalities that do not have a Qualified Purchasing Agent. Currently the Borough does not have a Qualified Purchasing Agent.

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 revealed that no individual payments, contracts or agreements in excess \$17,500.00 thereafter "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.

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

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

GENERAL COMMENTS

Other Matters (Cont'd.)

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

Compliance with P.L. 2005, c.271

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

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

Tests of expenditures indicated the Borough had the required documentation for compliance with P.L. 2005, c.271 for items tested.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 1, 2015, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 18, 2015.

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

| <u>Year</u> | <u>Number of Liens</u> |
|-------------|------------------------|
| CY 2015     | 2                      |
| CY 2014     | 2                      |
| CY 2013     | 2                      |

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Interfund Balances

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2015.

These interfunds, in most cases, resulted from CY 2015 operations and should be cleared by cash transfer where feasible.

As the existence of these interfund balances did not result in a material distortion of income, and they are not indicative of an inability of any fund to meet its annual cash flow requirements from its own respective cash receipts, no recommendation is made as part of this report.

#### Investments

The Chief Financial Officer has the idle funds of the Borough invested in interest-bearing investments or accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2015.

The Borough has adopted a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its funds pursuant to that plan".

All investments held by the Borough were directly confirmed as of December 31, 2015.

#### Payment of Claims

Claims were examined on a test basis for the year under review. No exceptions noted for items tested.

#### Purchase Order System

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting encumbrance system during the year under review. Transactions are approved based on availability on funds. The processing of confirming orders was noted.

#### Municipal Court

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

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

## GENERAL COMMENTS

### Other Matters (Cont'd.)

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

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

We noted that deposits are not being made within 48 hours as required by state statute.

Municipal Clerk's Office, the Recreation Department, and the Construction Code Department prepare monthly reports. The examination of the records for these offices were found to be in good condition.

It is recommended that deposits be made within 48 hours as required by state statute.

#### Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2015, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Tax/Utility Collector.

During July 1998 the Local Finance Board completed a readoption of the Board's general rules in the New Jersey Administrative Code. Based upon the new provision of N.J.A.C 5:30-8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds.

#### Condition of the Records – Tax Collector

The condition of the records maintained by the Tax Collector was reviewed. Computerized cash receipts records were proved to manual controls daily and in total monthly.

#### Condition of the Records – Finance Office

The financial records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for current fund, and was found to be suitable to serve as the basis for the year 2015 current fund financial statements.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Internal Control Documentation

Statement on Auditing Standards 115 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough initiate this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance along with providing for this documentation in conjunction with information relating to job descriptions and procedures manual.

#### Payroll Account

It was noted as follows:

The use of an excel spreadsheet was used to account for the payroll deductions. The spreadsheet shows the payroll deductions increases and decreases on an item by item basis. During 2015, minor differences were noted at year-end and proper adjustments made to bring into balance.

#### Budgetary Records

The Borough maintains a detailed, computerized subsidiary ledger for each of its budgets. During CY 2015, an examination of the approved budget appropriations indicated that no budget accounts were overexpended/overcommitted during the period under review.

#### Animal Control Fund

The financial records maintained for the Animal Control Fund during the period under review was found to be in good condition. The examination of the account indicated that deposits were properly recorded, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis.

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

During CY 2015, the Borough operated programs, which were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. Based upon the myriad compliance and reporting requirements for grant awards, the Borough should continue to develop sound administrative functions over grant programs.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Administration and Accounting of State & Federal Grants (Cont'd.)

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal control. Based upon the matrix of requirements applicable to the specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure with the compliance requirements. In addition, we suggest the Borough review all of the applicable grant agreements and the Borough's system of internal controls in order to ensure the Borough's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

We suggest the Borough review its system of internal controls and various policies and procedures as they apply to the compliance requirements for State and Federal grants. In addition, the grant receivable and appropriation schedules indicate a number of prior years' balances still outstanding. We suggest that the Borough review and monitor grant receivable and appropriation balances in order to ensure timely collection and payment of balances.

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

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

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

N.J.A.C. 5:30 - 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough contracted with an outside agency to perform a fixed asset inventory and has established a Fixed Assets Accounting and Reporting System. The Borough is in compliance with this directive.

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

#### Compliance with Local Finance Notices

Local Finance Notice (LFN) No. 92-15 requires that the Borough prepare and file a corrective action plan in accordance with federal and state requirements. A written corrective action plan for CY 2014 was prepared as required.

In accordance with Local Finance Notice No. CFO-10, Uniform Construction Code, expenditure records were tested for compliance with N.J.A.C. 5:3.17(c)2, and no exceptions were noted.

RECOMMENDATIONS

We recommend the following:

That the Borough maintain a complete General Ledger for both the Trust Fund and General Capital Fund.

That deposits be made within 48 hours as required by state statute.

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ACKNOWLEDGMENT

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

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

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406