

*Report of Audit*

*on the*

*Financial Statements*

*of the*

***Borough of Fanwood***

*in the*

*County of Union*  
*New Jersey*

*for the*

*Year Ended*  
*December 31, 2016*



BOROUGH OF FANWOOD

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BOROUGH OF FANWOOD

PART I

INDEPENDENT AUDITOR'S REPORT ON  
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FINANCIAL STATEMENTS - REGULATORY BASIS - ALL FUNDS

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2016



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Fanwood, as of December 31, 2016 and 2015, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents.

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

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

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

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



## SUPLEE, CLOONEY & COMPANY

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough of Fanwood as of December 31, 2016, or the results of its operations and changes in fund balance for the year then ended or the revenues or expenditures for the year ended December 31, 2016.

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

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2016, the regulatory basis statement of operations and changes in fund balance for the year then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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## ***Other Matters***

### *Other Information*

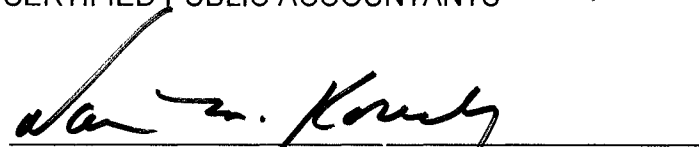
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Fanwood's regulatory financial statements. The information included in the supplementary information and schedule of expenditures of federal awards and schedule of expenditures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

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed and the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance and data listed in the table of contents, as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017 on our consideration of the Borough of Fanwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Fanwood's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 419

June 21, 2017

CURRENT FUND

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
Cash	A-4	\$ 2,363,355.89	\$ 1,904,957.50
Cash - Change Funds	A-6	350.00	350.00
Due from State of New Jersey-Senior Citizens Deductions	A-8	8,931.75	8,535.85
State Aid Receivable	A-5	<u>316,196.94</u>	<u>815,047.19</u>
		\$ <u>2,688,834.58</u>	\$ <u>2,728,890.54</u>
Receivables With Full Reserves:			
Delinquent Property Taxes Receivable	A-9	\$ 106,002.02	\$ 162,169.64
Tax Title Liens Receivable	A-10	26,174.95	25,069.83
Lien Purchased by Municipality	A-34	27,211.38	
Property Acquired for Taxes-Assessed Valuation	A-11	12,279.00	12,279.00
Revenue Accounts Receivable	A-12	13,687.31	17,675.56
Sewer Charges Receivable	A-29	207.26	
Interfunds Receivable	A-23	15,542.75	49,489.20
Prepaid Regional School Tax	A-21	87,060.27	87,060.27
Due from County of Union - PILOT	A-35	<u>20,163.24</u>	
	A	\$ <u>308,328.18</u>	\$ <u>353,743.50</u>
Deferred Charges:			
Emergency Appropriation 40A:4-53	A-19	\$ 86,000.00	\$ 22,000.00
Overexpenditure of Appropriation	A-19		36,383.09
Emergency Appropriation 40A:4-46	A-19	<u>50,000.00</u>	<u>12,500.00</u>
		\$ <u>136,000.00</u>	\$ <u>70,883.09</u>
		\$ <u><u>3,133,162.76</u></u>	\$ <u><u>3,153,517.13</u></u>

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

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves	A-3:A-13	\$ 268,844.13	\$ 332,047.57
Encumbrances Payable	A-24	575,243.77	616,838.06
Prepaid Taxes	A-17	105,335.08	66,228.78
Tax Overpayments	A-18	57,022.31	30,416.58
Interfunds Payable	A-23	207.65	63,693.21
County Taxes Payable	A-20	15,514.92	20,972.72
Reserve for:			
Due State of New Jersey:			
Marriage License Fees	A-16	100.00	
State Training Fees	A-25	1,227.54	1,411.54
Burial Permits	A-27	35.00	35.00
Tax Maps	A-33	17,680.00	
Tax Appeals	A-28	22,000.00	
Library	A-30	5,042.04	4,905.76
Sale of Municipal Assets	A-14	125.00	125.00
Grants - Appropriated	A-22	448,502.21	540,601.21
Grants - Unappropriated	A-15	1,357.50	1,357.50
Lawsuit	A-36	74,003.65	74,003.65
Fire Fines and Penalties	A-26	25.00	25.00
Snow Removal	A-31	60,378.14	29,684.35
Salary Increases	A-32	5,000.00	5,000.00
		<u>\$ 1,657,643.94</u>	<u>\$ 1,787,345.93</u>
Reserve for Receivables and Other Assets	A	308,328.18	353,743.50
Fund Balance	A-1	<u>1,167,190.64</u>	<u>1,012,427.70</u>
		<u>\$ 3,133,162.76</u>	<u>\$ 3,153,517.13</u>

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

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENTS OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	<u>YEAR ENDED</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>YEAR ENDED</u> <u>DECEMBER</u> <u>31, 2015</u>
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-2	\$ 784,200.00	\$ 690,000.00
Miscellaneous Revenue Anticipated	A-2	2,685,987.80	3,144,334.10
Receipts From Delinquent Taxes	A-2	162,169.64	208,858.68
Receipts From Current Taxes	A-2	31,602,498.08	30,164,874.16
Non-Budget Revenue	A-2	53,076.00	44,681.02
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	159,935.49	130,463.67
Interfunds Returned		33,946.45	
Tax Overpayments Canceled	A-18	5,262.31	297.14
<u>TOTAL INCOME</u>		<u>\$ 35,487,075.77</u>	<u>\$ 34,383,508.77</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations Within "CAPS":			
Operating	A-3	\$ 6,624,773.35	\$ 6,374,350.70
Deferred Charges and Statutory Expenditures	A-3	893,475.09	832,832.65
Operations Excluded From "CAPS":			
Other Operations	A-3	1,122,981.27	1,520,143.15
Capital Improvement Fund	A-3	13,500.00	50,000.00
Deferred Charges	A-3	23,500.00	94,503.69
Municipal Debt Service	A-3	1,149,227.79	1,084,372.87
Regional School Tax	A-21	18,554,568.00	17,957,715.50
County Taxes	A-20	6,205,111.04	5,864,379.18
County Share of Added Taxes	A-20	13,900.90	19,357.70
Interfunds Advanced			26,431.76
Reserve for Tax Appeals	A-28	22,000.00	
Refund of Prior Year Revenue	A-4	54,912.15	2,016.00
County PILOT overpayment	A-35	20,163.24	
Prepaid School Tax			0.50
<u>TOTAL EXPENDITURES</u>		<u>\$ 34,698,112.83</u>	<u>\$ 33,826,103.70</u>
Excess in Revenue		\$ 788,962.94	\$ 557,405.07
Adjustment to Income Before Fund Balance:			
Expenditures Included above which are by Statute			
Deferred Charges to Budgets of Succeeding Years	A-19	150,000.00	12,500.00
Statutory Excess to Fund Balance		\$ 938,962.94	\$ 569,905.07
Fund Balance			
Balance, January 1	A	1,012,427.70	1,132,522.63
		\$ 1,951,390.64	\$ 1,702,427.70
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	784,200.00	690,000.00
Balance, December 31	A	<u>\$ 1,167,190.64</u>	<u>\$ 1,012,427.70</u>

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

BOROUGH OF FANWOOD

CURRENT FUND

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

	<u>REF.</u>	<u>BUDGET</u>	<u>SPECIAL N.J.S. 40A: 4-87</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Fund Balance Appropriated	A-1	\$ 784,200.00		\$ 784,200.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-12	\$ 7,600.00		\$ 8,125.00	\$ 525.00
Other	A-12	4,400.00		4,080.00	(320.00)
Fees and Permits:					
Construction Code Official	A-12	232,000.00		166,797.00	(65,203.00)
Other	A-2	114,000.00		100,409.29	(13,590.71)
Municipal Court Fines	A-12	216,000.00		211,544.21	(4,455.79)
Interest and Costs on Taxes	A-12	46,000.00		39,904.99	(6,095.01)
Parking Meters & Permits	A-2	298,000.00		291,283.65	(6,716.35)
Interest on Investments	A-12	39,000.00		40,027.59	1,027.59
Energy Receipts Tax	A-12	755,288.00		755,288.00	
Recycling Tonnage Grant	A-5		11,289.93	11,289.93	
Drunk Driving Enforcement Fund	A-5		1,947.89	1,947.89	
Body Armor Replacement Fund	A-5		1,863.38	1,863.38	
Union County Kids Recreation	A-5		80,000.00	80,000.00	
Greening Union County	A-5		1,200.00	1,200.00	
Clean Communities Program	A-5		15,648.38	15,648.38	
NJ Prevention Grant	A-5		3,000.00	3,000.00	
Drive Sober or Get Pulled Over	A-5		5,000.00	5,000.00	
Green Communities Grant	A-5	3,000.00		3,000.00	
R.O.I.D. Grant	A-5		20,000.00	20,000.00	
Union County Heart Grant	A-5		2,500.00	2,500.00	
Shared Services - DPW	A-12	40,333.00		40,333.33	0.33
Sewer Fees	A-29	57,000.00		60,445.51	3,445.51
Uniform Fire Safety Act	A-12	4,400.00		4,739.15	339.15
Verizon TV	A-12	74,890.55		78,159.08	3,268.53
Bulk Waste Pick Up	A-12	17,500.00		18,525.00	1,025.00
Cable T.V. Franchise Fee	A-12	31,281.00		31,977.37	696.37
Communications Tower Rental	A-12	115,000.00		109,688.75	(5,311.25)
Reserve for Debt Service	A-12	148,000.00		148,000.00	
Sale of Municipal Assets	A-12	200,000.00		200,000.00	
P.I.L.O.T. Elite Phase I	A-2	84,000.00		160,434.93	76,434.93
P.I.L.O.T. Fanwood Crossing 2	A-2	90,000.00		48,972.03	(41,027.97)
P.I.L.O.T. Fanwood Crossing 3	A-2	40,000.00		12,803.34	(27,196.66)
Capital Surplus	A-12	9,000.00		9,000.00	
	A-1	\$ 2,626,692.55	\$ 142,449.58	\$ 2,685,987.80	\$ (83,154.33)
Receipts From Delinquent Taxes	A-1	\$ 160,000.00		\$ 162,169.64	\$ 2,169.64
Property Tax for Support of Municipal Budget Appropriation:					
Local Tax for Municipal Purposes	A-2:A-9	\$ 5,999,029.54		\$ 6,298,854.43	\$ 299,824.89
Minimum Library Tax	A-2:A-9	381,257.71		381,257.71	
		\$ 6,380,287.25		\$ 6,680,112.14	\$ 299,824.89
<u>Budget Totals</u>		\$ 9,951,179.80	\$ 142,449.58	\$ 10,312,469.58	\$ 218,840.20
Non-Budget Revenue	A-1 ;A-2	\$		\$ 53,076.00	\$ 53,076.00
		\$ 9,951,179.80	\$ 142,449.58	\$ 10,365,545.58	\$ 271,916.20

REF.

A-3

A-3

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

BOROUGH OF FANWOOD

CURRENT FUND

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

	<u>REF.</u>	
Allocation of Current Tax Collections:		
Collected	A-1:A-9	\$ 31,602,498.08
Allocated to:		
Schools and County Taxes		\$ 25,300,385.94
Reserve for Tax Appeals	A-1:A-28	<u>22,000.00</u>
		\$ <u>25,322,385.94</u>
Support of Municipal Budget Appropriations		\$ 6,280,112.14
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>400,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$ <u><u>6,680,112.14</u></u>
Other Licenses:		
Health Officer	A-12	\$ <u>4,080.00</u>
Other Fees and Permits:		
Health Officer	A-12	\$ 5,660.00
Police Department	A-12	75,110.74
Zoning	A-12	7,055.00
Fire Inspection	A-12	<u>12,583.55</u>
	A-2	\$ <u><u>100,409.29</u></u>
Parking Meters	A-12	\$ 301,273.59
Less: Refunds	A-4	<u>9,989.94</u>
	A-2	\$ <u><u>291,283.65</u></u>
P.I.L.O.T.		\$ 233,261.69
Less: County of Union share		<u>11,051.39</u>
	A-2	\$ <u><u>222,210.30</u></u>
Miscellaneous Revenue Not Anticipated:		
Senior Citizens - Administrative Fee		\$
UC Tonnage Rebate		1,162.08
Motor Vehicle Fine Reimbursements		7,232.00
UC Solid Waste Refund		8,964.00
FEMA		17,130.95
Miscellaneous		<u>18,586.97</u>
	A-4	\$ <u><u>53,076.00</u></u>

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



BOROUGH OF FANWOOD

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED CANCELED
<b>OPERATIONS WITHIN "CAPS"</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative and Executive:				
Salaries and Wages	\$ 181,644.35	\$ 181,738.35	\$ 177,416.96	\$ 4,341.39
Other Expenses	72,470.00	77,470.00	72,195.05	5,274.95
Office of the Mayor:				
Salaries and Wages	8,500.00	8,500.00	8,000.16	499.84
Other Expenses	1,900.00	1,900.00	1,149.90	750.10
Financial Administration:				
Salaries and Wages	124,400.00	124,912.25	124,346.77	565.48
Other Expenses	69,150.00	61,650.00	55,893.63	5,756.37
Audit	32,350.00	32,350.00	32,350.00	
Assessment of Taxes:				
Salaries and Wages	19,381.00	19,771.67	19,768.97	2.70
Other Expenses	28,050.00	128,050.00	121,968.78	6,081.22
Collection of Taxes:				
Salaries and Wages	68,523.22	69,701.14	69,406.28	294.86
Other Expenses	8,232.00	4,368.00	1,354.85	3,013.15
Legal Services and Costs:				
Other Expenses	150,000.00	228,500.00	176,817.21	51,682.79
Municipal Prosecutor:				
Salaries and Wages	24,200.00	24,639.25	24,410.08	229.17
Public Defender:				
Other Expenses	8,000.00	8,145.75	950.81	7,194.94
Engineering Services and Costs:				
Other Expenses	52,000.00	52,000.00	45,832.60	6,167.40
Planning Board:				
Other Expenses	15,451.00	15,451.00	10,290.42	5,160.58
Credit Card Fees:				
Other Expenses	10,000.00	11,000.00	10,074.49	925.51
Environmental Commission:				
Salaries and Wages	3,950.00	4,027.42	4,026.04	1.38
Other Expenses	19,285.00	19,285.00	17,897.47	1,387.53
Shade Tree Commission:				
Other Expenses	49,400.00	50,275.00	49,364.58	910.42
Insurance:				
State Unemployment Compensation	7,500.00	500.00		500.00
Group Insurance for Employees	1,131,894.76	1,132,785.76	1,127,188.27	5,597.49
Other Insurance Premiums	144,000.00	144,000.00	129,760.40	14,239.60
Workmen's Compensation	166,820.00	166,820.00	156,143.00	10,677.00
Health Benefit Waiver	14,155.52	14,155.52	14,155.52	
Municipal Court:				
Salaries and Wages	121,000.00	118,587.14	115,411.95	3,175.19
Other Expenses	9,950.00	9,950.00	7,268.12	2,681.88

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

BOROUGH OF FANWOOD

CURRENT FUND

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

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses:	\$ 114,000.00	\$ 114,000.00	\$ 111,000.00	\$ 3,000.00	
Fire Hydrants	48,350.00	48,350.00	46,950.22	1,399.78	
Miscellaneous					
Fire Prevention Bureau:					
Salaries and Wages	21,165.00	21,516.00	20,063.00	1,453.00	
Other Expenses	4,385.50	4,385.50	4,364.50	21.00	
Police:					
Salaries and Wages	1,875,000.00	1,875,783.00	1,853,583.83	22,199.17	
Other Expenses	60,048.00	60,048.00	59,771.98	276.02	
School Crossing Guards:					
Salaries and Wages	68,000.00	73,683.81	73,092.79	591.02	
Dispatchers:					
Other Expenses	84,000.00	84,864.00	84,864.00		
Traffic Signal Maintenance:					
Other Expenses	5,000.00	5,000.00	5,000.00		
Emergency Management Services:					
Other Expenses	1,670.00	1,670.00	1,670.00		
Sanitation:					
Solid Waste Management Act:					
Salaries and Wages	6,500.00	6,765.60	6,763.91	1.69	
Other Expenses	90,000.00	85,000.00	83,563.92	1,436.08	
Road Repair and Maintenance:					
Salaries and Wages	516,667.00	539,687.25	538,239.42	1,447.83	
Other Expenses	105,100.00	105,100.00	104,440.99	659.01	
Recycling Center:					
Other Expenses	58,000.00	58,000.00	58,000.00		
Street Lighting	113,000.00	113,000.00	85,455.57	27,544.43	
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	12,330.00	12,537.20	12,368.80	168.40	
Other Expenses	2,205.00	2,205.00	644.27	1,560.73	
Contractual - Town of Westfield	42,809.00	42,809.00	42,459.00	350.00	
Shared Services:					
Other Expenses	2,310.00	2,310.00	2,310.00		
Snow Removal:					
Other Expenses	10,000.00	10,000.00	10,000.00		
New Jersey Public Employees Occupational and Safety Health Act:					
Other Expenses	1,000.00	1,000.00		1,000.00	

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

BOROUGH OF FANWOOD

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<b>OPERATIONS WITHIN "CAPS" (CONTINUED)</b>					
Right to Know Act:					
Salaries and Wages	\$ 1,000.00	\$	\$	\$	\$
Other Expenses	1,000.00				
Historic Preservation Commission:					
Other Expenses	1,000.00	1,000.00	270.79	729.21	
<b>RECREATION AND COMMUNITY SERVICES</b>					
Parks and Playgrounds:					
Salaries and Wages	21,600.00	23,338.83	23,232.12	106.71	
Other Expenses	14,938.00	14,938.00	14,937.92	0.08	
Celebration of Public Events:					
Other Expenses	17,000.00	17,000.00	12,573.69	4,426.31	
Senior Citizen:					
Salaries and Wages	6,000.00	6,000.00	6,000.00		
Other Expenses	29,000.00	29,000.00	26,769.67	2,230.33	
Rescue Squad:					
Other Expenses	3,000.00	3,000.00	3,000.00		
<b>UNIFORM CONSTRUCTION CODE</b>					
Construction Official:					
Salaries and Wages	21,000.00	22,108.25	21,292.93	815.32	
Other Expenses	7,750.00	7,750.00	3,887.73	3,862.27	
Sub Code Officials:					
Plumbing Inspector:	9,143.00	9,615.33	9,601.03	14.30	
Salaries and Wages					
Building Inspector:	76,500.00	77,895.00	77,890.23	4.77	
Salaries and Wages					
Electrical Inspector:	10,035.00	10,239.25	10,236.11	3.14	
Salaries and Wages					
Zoning Officer:	21,420.00	21,852.33	21,847.99	4.34	
Salaries and Wages	859.00	859.00	485.56	373.44	
Fire Sub Code Official:					
Salaries and Wages	6,132.00	6,259.75	6,255.01	4.74	
<b>UNCLASSIFIED</b>					
Utilities-Other	144,800.00	144,800.00	112,929.90	31,870.10	
Gasoline and Diesel Fuel	65,000.00	40,000.00	35,945.77	4,054.23	
Downtown Revitalization	75,000.00	75,000.00	69,694.28	5,305.72	

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

BOROUGH OF FANWOOD

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<b>OPERATIONS WITHIN "CAPS" (CONTINUED)</b>					
Communications - Community Assessment:					
Salaries and Wages	\$	2,475.00 \$	2,475.00 \$		
Other Expenses	65,350.00	62,875.00	60,741.37	2,133.63	
Postage	13,500.00	13,500.00	12,205.36	1,294.64	
Salary Adjustment	25,000.00				
New Jersey Transit - Contractual	55,000.00	55,000.00	55,000.00		
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>\$ 6,472,773.35</b>	<b>\$ 6,622,773.35</b>	<b>\$ 6,365,360.97</b>	<b>\$ 257,412.38</b>	
<b>CONTINGENT</b>					
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>\$ 2,000.00</b>	<b>\$ 2,000.00</b>		<b>2,000.00</b>	
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL - WITHIN "CAPS"</b>					
OverExpenditure of Appropriations	\$ 36,383.09	36,383.09	36,383.09		\$
Statutory Expenditures					
Contribution to:					
Public Employees Retirement System	201,649.00	201,649.00	201,649.00		
Social Security System	172,000.00	172,000.00	169,994.00	2,006.00	
Defined Contribution Retirement Program	2,250.00	2,250.00	732.16	1,517.84	
Police and Firemen's Retirement System of NJ	481,193.00	481,193.00	481,193.00		
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES MUNICIPAL WITHIN "CAPS"</b>	<b>\$ 893,475.09</b>	<b>\$ 893,475.09</b>	<b>\$ 889,951.25</b>	<b>\$ 3,523.84</b>	
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>\$ 7,368,248.44</b>	<b>\$ 7,518,248.44</b>	<b>\$ 7,255,312.22</b>	<b>\$ 262,936.22</b>	
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>					
Plainfield Area Regional Sewerage Authority	\$ 523,147.19	523,147.19	520,701.06	2,446.13	
Maintenance of Free Public Library (N.J.S.A. 40:54)	381,258.00	381,258.00	377,796.22	3,461.78	
Length of Service Award Program (L.O.S.A.P.)	24,242.00	24,242.00	24,242.00		
Statutory Expenditures:					
Interlocal Agreements:					
Borough of Garwood:					
Road Repair and Maintenance	40,333.00	40,333.00	40,333.00		
Salaries and Wages					

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

BOROUGH OF FANWOOD

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED
				CANCELED
STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES				
Clean Communities Program (N.J.S.A. 40A:4-87 \$15,648.38)	\$	\$ 15,648.38	\$ 15,648.38	\$
Recycling Tonnage Grant (N.J.S.A. 40A:4-87 \$11,289.93)		11,289.93	11,289.93	
R.O.I.D. Grant (N.J.S.A. 40A:4-87 \$20,000)		20,000.00	20,000.00	
Drunk Driving Enforcement Fund (N.J.S.A. 40A:4-87 \$1,947.89)		1,947.89	1,947.89	
Municipal Alliance on Alcoholism and Drug Abuse	2,051.50	2,051.50	2,051.50	
Body Armor Replacement Fund (N.J.S.A. 40A:4-87 \$1,863.38)		1,863.38	1,863.38	
Drive Sober or Get Pulled Over (N.J.S.A. 40A:4-87 \$5,000.00)		5,000.00	5,000.00	
Municipal Alliance on Alcoholism and Drug Abuse - match		2,500.00	2,500.00	
Union County Kids Recreation Trust (N.J.S.A. 40A:4-87 \$40,000.00)		40,000.00	40,000.00	
Union County Kids Recreation Trust- Match		40,000.00	40,000.00	
Union County Heart Grant (N.J.S.A. 40A:4-87 \$2,500.00)		2,500.00	2,500.00	
NJ Forestry- Green Communities Grant	3,000.00	3,000.00	3,000.00	
NJ Prevention Network (N.J.S.A. 40A:4-87 \$3,000)		3,000.00	3,000.00	
Greening Union County (N.J.S.A. 40A:4-87 \$1,200.00)		1,200.00	1,200.00	
Matching Funds for Grants	15,000.00	4,000.00	4,000.00	
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$ 989,031.69	\$ 1,122,981.27	\$ 1,117,073.36	\$ 5,907.91
CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"				
Capital Improvement Fund	\$ 5,000.00	\$ 13,500.00	\$ 13,500.00	\$
TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"	\$ 5,000.00	\$ 13,500.00	\$ 13,500.00	\$
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"				
Payment of Bond Principal	\$ 605,000.00	\$ 605,000.00	\$ 605,000.00	\$
Payment of Bond Anticipation and Capital Notes	153,817.00	153,817.00	153,817.00	
Interest on Bonds	281,543.75	281,543.75	281,543.75	
Interest on Notes	50,461.82	50,461.82	50,461.82	
Loan Repayments for Principal and Interest (Environmental Infrastructure Loan)	74,577.10	74,577.10	58,405.22	16,171.88
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	\$ 1,165,399.67	\$ 1,165,399.67	\$ 1,149,227.79	\$ 16,171.88

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

BOROUGH OF FANWOOD

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL					
Deferred Charges:					
Emergency Authorizations	\$ 12,500.00 \$	12,500.00 \$	12,500.00 \$		
Special Emergency Authorizations - 5 years (40A:4-55)	11,000.00	11,000.00	11,000.00		\$
TOTAL DEFERRED CHARGES - MUNICIPAL	\$ 23,500.00 \$	23,500.00 \$	23,500.00 \$		\$
- EXCLUDED FROM "CAPS"					
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	2,182,931.36	2,325,380.94	2,303,301.15	5,907.91	16,171.88
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	\$ 9,551,179.80 \$	9,843,629.38 \$	9,558,613.37 \$	268,844.13 \$	16,171.88
	400,000.00	400,000.00	400,000.00		
TOTAL GENERAL APPROPRIATIONS	\$ 9,951,179.80 \$	10,243,629.38 \$	9,958,613.37 \$	268,844.13 \$	16,171.88
REF.	A-2		A-1	A:A-1	
Budget					
Emergency Appropriation 40A:4-46	A-3	\$ 9,951,179.80			
Emergency Appropriation 40A:4-53	A-19	50,000.00			
Appropriation by 40A:4-87	A-19	100,000.00			
	A-2	142,449.58			
		\$ 10,243,629.38			
State and Federal Programs	A-22		\$ 154,001.08		
Reserve for Uncollected Taxes	A-2		400,000.00		
Reserve for Snow Removal	A-31		5,579.52		
Encumbrances Payable	A-24		311,079.74		
Deferred Charges	A-19		59,883.09		
Reserve for Tax Maps Emergency Appropriation 40A:4-53	A-33		100,000.00		
Cash Disbursements	A-4		9,509,008.23		
			10,539,551.66		
Less: Refunds	A-4		580,938.29		
			\$ 9,958,613.37		

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

TRUST FUND

BOROUGH OF FANWOODTRUST FUNDBALANCE SHEETS-REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
Assessment Trust Fund:			
Assessment Liens	B-3	\$ 318.56	\$ 318.56
		<u>\$ 318.56</u>	<u>\$ 318.56</u>
Animal Control Trust Fund:			
Cash	B-1	\$ 5,374.40	\$ 1,673.88
Due Current Fund	B-4	5.39	5.39
		<u>\$ 5,379.79</u>	<u>\$ 1,679.27</u>
Other Trust Funds:			
Cash	B-1	\$ 749,204.83	\$ 922,397.46
Due County of Union - Community Development Block Grant	B-2	11,140.00	11,800.00
		<u>\$ 760,344.83</u>	<u>\$ 934,197.46</u>
		<u>\$ 766,043.18</u>	<u>\$ 936,195.29</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Trust Fund:			
Due Current Fund	B-4	\$ 318.56	\$ 318.56
		<u>\$ 318.56</u>	<u>\$ 318.56</u>
Animal Control Trust Fund:			
Reserve for Animal Control Fund Expenditures	B-8	\$ 5,379.79	\$ 1,679.27
		<u>\$ 5,379.79</u>	<u>\$ 1,679.27</u>
Other Trust Funds:			
Due Current Fund	B-4	\$ 15,224.19	\$ 49,170.64
Reserve For:			
Unemployment Compensation Insurance	B-6	1,447.57	3,367.43
Community Development Block Grant	B-7	9,436.07	4,992.13
Builders Escrow	B-9	84,783.83	97,435.35
Zoning Escrow Trust	B-10	14,582.72	23,079.49
Redevelopers Escrow	B-11	6,244.33	6,035.84
Recreation Trust	B-12	49,483.71	63,446.73
Law Enforcement Trust	B-13	13,137.32	13,039.15
Developers Housing Escrow	B-14	13,963.64	79,609.93
Library Fund	B-15	57,569.76	51,311.89
In Lieu of Construction	B-16	66,611.32	40,796.81
Tax Sale Premiums and Redemptions	B-17	252,200.00	293,200.00
Cell Tower Deposits	B-18	16,725.01	18,781.35
Payroll Deductions	B-19	30,222.06	28,937.35
Police Off-Duty Pay	B-20	46,912.26	74,662.73
PSEG Project	B-21		9,338.00
Miscellaneous Trust Deposits	B-5	81,801.04	76,992.64
		<u>\$ 760,344.83</u>	<u>\$ 934,197.46</u>
		<u>\$ 766,043.18</u>	<u>\$ 936,195.29</u>

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



GENERAL CAPITAL FUND

"C"

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

BALANCE SHEETS-REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>
<u>ASSETS</u>			
Cash	C-2	\$ 1,320,941.13	\$ 1,499,961.50
Grants Receivable	C-13	565,307.58	247,807.58
Due Scotch Plains-Fanwood Board of Education	C-5	6,000.00	6,000.00
Due Current Fund	C-4	202.26	55,213.16
NJEIT Loan Proceeds Receivable	C-16		91,001.00
Deferred Charges to Future Taxation:			
Funded	C-6	13,922,966.59	8,350,199.93
Unfunded	C-7	<u>2,451,605.23</u>	<u>7,331,905.00</u>
		\$ <u>18,267,022.79</u>	\$ <u>17,582,088.17</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-11	\$ 12,720,000.00	\$ 7,085,000.00
Bond Anticipation Note	C-12		5,693,793.00
NJEIT Loan Payable	C-15	1,202,966.59	1,265,199.93
Improvement Authorizations-Funded	C-9	1,348,110.43	453,143.51
Improvement Authorizations-Unfunded	C-9	2,054,652.63	1,688,344.89
Contracts Payable	C-10	640,184.85	1,085,648.33
Capital Improvement Fund	C-8	67,218.72	81,718.72
Reserve for Debt Service	C-14	110,723.88	220,180.50
Fund Balance	C-1	<u>123,165.69</u>	<u>9,059.29</u>
		\$ <u>18,267,022.79</u>	\$ <u>17,582,088.17</u>

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

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE-REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2015	C	\$ 9,059.29
Increased by:		
Premium on Sale of Bonds and Notes	C-2	<u>123,106.40</u>
		\$ 132,165.69
Decreased by:		
Anticipated as Revenue in 2016 Budget	C-2	<u>9,000.00</u>
Balance, December 31, 2016	C	\$ <u><u>123,165.69</u></u>

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

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GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF FANWOOD

GENERAL FIXED ASSET ACCOUNT GROUP

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2016</u>	BALANCE DECEMBER <u>31, 2015</u>
Fixed Assets:		
Buildings	\$ 1,124,600.00	\$ 1,124,600.00
Land	3,614,773.00	3,614,773.00
Machinery and Equipment	<u>5,066,010.96</u>	<u>4,928,262.12</u>
	\$ <u>9,805,383.96</u>	\$ <u>9,667,635.12</u>
Reserve:		
Investments in General Fixed Assets	\$ <u>9,805,383.96</u>	\$ <u>9,667,635.12</u>

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

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF FANWOOD

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Description of Funds

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

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



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

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

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

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

C. Basis of Accounting

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November of 2013, GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued) - In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

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

The Borough of Fanwood had the following cash and cash equivalents at December 31, 2016:

<u>Fund Type</u>	<u>Bank</u>		<u>Reconciling Items</u>		<u>Reconciled</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	
Current Fund	\$ 2,419,971.79	\$ 3,402.85	\$ 60,018.75	\$ 2,363,355.89	
Animal Control Trust Fund	5,474.40		100.00	5,374.40	
Trust Other Fund	752,816.57	53.40	3,665.14	749,204.83	
General Capital Fund	<u>1,391,241.13</u>		<u>70,300.00</u>	<u>1,320,941.13</u>	
<u>Total December 31, 2016</u>	<u>\$ 4,569,503.89</u>	<u>\$ 3,456.25</u>	<u>\$ 134,083.89</u>	<u>\$ 4,438,876.25</u>	

NOTE 2: CASH AND CASH EQUIVALENTS

A. Deposits

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2016, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$337,168.47 was covered by Federal Depository Insurance and \$4,043,657.32 was covered under the provisions of NJGUDPA.

B. Investments

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

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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

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

The Borough of Fanwood had no investments outstanding as of December 31, 2016.

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



NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds. A summary of bond and note transactions for the year ended December 31, 2016 are detailed on Exhibits "C-11" and "C-12".

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

	<u>YEAR 2016</u>	<u>YEAR 2015</u>	<u>YEAR 2014</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ <u>13,922,966.59</u>	\$ <u>14,043,992.93</u>	\$ <u>13,877,433.27</u>
Net Debt Issued	<u>13,922,966.59</u>	<u>14,043,992.93</u>	<u>13,877,433.27</u>
Less: Cash on Hand to Pay Debt			150,000.00
Less: Accounts Receivable		91,001.00	132,570.00
Less: Reserve to Pay Bonds	<u>110,723.88</u>	<u>220,180.50</u>	<u>83,409.12</u>
	\$ <u><u>13,812,242.71</u></u>	\$ <u><u>13,732,811.43</u></u>	\$ <u><u>13,511,454.15</u></u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	2,451,286.67	1,637,793.44	2,603,484.70
Assessment Trust:			
Bonds and Notes	<u>318.56</u>	<u>318.56</u>	<u>318.56</u>
Total Authorized but not Issued	<u>2,451,605.23</u>	<u>1,638,112.00</u>	<u>2,603,803.26</u>
Net Bonds and Notes Issued and and Authorized but not issued	\$ <u><u>16,263,847.94</u></u>	\$ <u><u>15,370,923.43</u></u>	\$ <u><u>16,115,257.41</u></u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

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

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$	\$	\$ -0-
General Debt	<u>16,374,571.82</u>	<u>110,723.88</u>	<u>16,263,847.94</u>
	\$ <u>\$16,374,571.82</u>	\$ <u>\$110,723.88</u>	\$ <u>16,263,847.94</u>

NET DEBT \$16,263,847.94 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2, AS AMENDED, \$1,137,320,499.67 EQUALS 1.43%.

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

Equalized Valuation Basis* - December 31, 2016	\$1,137,320,499.67
3-1/2 of Equalized Valuation Basis	39,806,217.49
Net Debt	<u>16,263,847.94</u>
Remaining Borrowing Power	<u>\$23,542,369.55</u>

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

NOTE 3: MUNICIPAL DEBT (CONTINUED)

General Serial Bonds:

	OUTSTANDING BALANCE DECEMBER 31, 2016
\$6,240,000.00 2016 Bonds due in annual remaining installments of \$250,000.00 to \$500,000 through September 2033 at interest rates between 2.000% and 4.000%.	\$6,240,000.00
\$3,200,000.00 2008 Bonds due in annual remaining installments of \$300,000.00 to \$350,000.00 through July 2023 at interest rates between 4.250% and 4.400%.	\$2,250,000.00
\$4,600,000.00 2013 Bonds due in annual remaining installments of \$165,000.00 to \$240,000.00 through August 2036 at interest rates between 3.125% and 4.500%.	<u>\$4,230,000.00</u>
	<u>\$12,720,000.00</u>

LONG-TERM DEBT – ISSUED

	OUTSTANDING BALANCE DECEMBER 31, 2016
Environmental Infrastructure Loans:	
\$350,000.00 2014 Loan due in annual remaining installments of \$15,000.00 to \$25,000.00 through August 2033 at interest rates between 3.00% and 5.00%.	\$ 315,000.00
\$1,027,255.50 2004 Interest Free Loan due in annual remaining installments of between \$52,233.34 to \$52,233.65 through August 2033	\$ <u>887,966.59</u>
	<u>\$ 1,202,966.59</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2016, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$2,451,605.23</u>
Assessment Trust Fund	<u>\$ 318.56</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2016

	<u>GENERAL CAPITAL</u>		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	715,000.00	384,412.97	1,099,412.97
2018	720,000.00	386,056.26	1,106,056.26
2019	720,000.00	360,281.26	1,080,281.26
2020	725,000.00	334,506.26	1,059,506.26
2021	780,000.00	306,068.76	1,086,068.76
2022-2026	3,500,000.00	1,124,218.80	4,624,218.80
2027-2031	3,360,000.00	659,193.80	4,019,193.80
2032-2036	<u>2,200,000.00</u>	<u>194,550.00</u>	<u>2,394,550.00</u>
	<u>\$12,720,000.00</u>	<u>\$3,749,288.11</u>	<u>\$16,469,288.11</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR ENVIRONMENTAL INFRASTRUCTURE LOAN DEBT ISSUED AND  
OUTSTANDING AS OF DECEMBER 31, 2016

CALENDAR YEAR	TOTAL	TRUST LOAN		FUND LOAN
		PRINCIPAL	INTEREST	PRINCIPAL
2017	79,277.10	15,000.00	12,043.76	52,233.34
2018	78,527.10	15,000.00	11,293.76	52,233.34
2019	77,777.10	15,000.00	10,543.76	52,233.34
2020	77,027.10	15,000.00	9,793.76	52,233.34
2021	76,277.10	15,000.00	9,043.76	52,233.34
2022-2026	384,785.50	90,000.00	33,618.80	261,166.70
2027-2031	378,135.50	100,000.00	16,968.80	261,166.70
2032-2033	<u>156,872.75</u>	<u>50,000.00</u>	<u>2,406.26</u>	<u>104,466.49</u>
	<u>\$1,308,679.25</u>	<u>\$315,000.00</u>	<u>\$105,712.66</u>	<u>\$887,966.59</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund Balance at December 31, 2016, which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2017, was as follows:

Current Fund	<u>\$750,000.00</u>
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NOTE 5: PROPERTY TAXES

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

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

	BALANCE DECEMBER 31, <u>2016</u>	BALANCE DECEMBER 31, <u>2015</u>
Prepaid Taxes	<u>\$105,335.08</u>	<u>\$66,228.78</u>

NOTE 6: PENSION PLANS

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

NOTE 6: PENSION PLANS (CONTINUED)

Plan Descriptions

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

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

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

Vesting and Benefit Provisions

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

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

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2016 PERS provides for employee contributions of 7.20% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2016, members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$682,842.00 for 2016, \$620,102.00 for 2015 and \$523,435.00 for 2014.

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

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



NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2016. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2016.

Public Employees Retirement System (PERS)

At June 30, 2016, the State reported a net pension liability of \$6,546,278.00 for the Borough of Fanwood’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough’s proportion of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough’s proportion was 0.0221030119 percent, which was a decrease of 0.0004306433 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$635,561.00 for the Borough of Fanwood’s proportionate share of the total pension expense. The pension expense recognized in the Borough’s financial statement based on the April 1, 2016 billing was \$201,649.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	-	\$121,741.00
Changes of assumptions		1,356,039.00
Net difference between projected and actual earnings on pension plan investments		249,616.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>\$70,180.00</u>	<u>89,451.00</u>
	<u>\$70,180.00</u>	<u>\$1,816,847.00</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$398,532.00
2018	398,532.00
2019	459,834.00
2020	379,291.00
2021	<u>110,478.00</u>
	<u>\$1,746,667.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2016 and 2015 are as follows:

	<u>6/30/2016</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$8,373,091,423	\$5,086,138,484
Collective deferred inflows of resources	557,886,638	478,031,236
Collective net pension liability - local	29,617,131,759	22,447,996,119
Borough's Proportion	0.0221030119%	0.0225336552%

Actuarial Assumptions

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Inflation	3.04 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	2.15-4.40 Percent	1.65-4.15 Percent
Thereafter	3.15-5.40 Percent	2.65-5.15 Percent
Investment Rate of Return	7.90 Percent	7.65 percent

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used 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 experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 and June 30, 2015 are summarized in the following table:

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

June 30, 2016		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	June 30, 2016		
	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
Borough's proportionate share of the pension liability	\$8,021,700.00	\$6,546,273.00	\$5,328,190.00

Pension plan fiduciary net position

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (PFRS)

At June 30, 2016, the State reported a net pension liability of \$9,796,198.00 for the Borough of Fanwood's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0512821272 percent, which was a decrease of 0.0045516095 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$1,186,122.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was \$418,124.00.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	\$64,216.00	
Changes of assumptions		\$1,356,854.00
Net difference between projected and actual earnings on pension plan investments		686,400.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>523,583.00</u>	<u>828,156.00</u>
	<u>\$587,799.00</u>	<u>\$2,871,410.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

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

<u>Year Ended June 30</u>	<u>Amount</u>
2017	\$616,442.00
2018	616,442.00
2019	785,153.00
2020	329,221.00
2021	(63,647.00)

**Additional Information**

Collective balances at June 30, 2016 and 2015 are as follows

	<u>6/30/2016</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$4,498,079,111	\$3,237,231,807
Collective deferred inflows of resources	165,979,648	176,221,455
Collective net pension liability - local	19,102,557,969	16,656,514,197
Borough's Proportion	0.0512821272%	0.0558337367%



NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

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

	<u>2016</u>	<u>2015</u>
Inflation	3.08 Percent	3.04 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.60-9.48 Percent
Thereafter	3.10-9.98 Percent	3.60-10.48 Percent
Investment Rate of Return	7.65 Percent	7.90 Percent

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate (continued)

Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	June 30, 2016		
	1% Decrease <u>4.55%</u>	At Current Discount Rate <u>5.55%</u>	1% Increase <u>6.55%</u>
Borough's proportionate share of the PFRS pension liability	\$12,631,479.00	\$9,796,198.00	\$7,484,197.00

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS).

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Special Funding Situation

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

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$822,638.00 and \$815,575.00 respectively.

At December 31, 2016, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$9,796,198.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>822,638.00</u>
	<u>\$10,618,836.00</u>

Pension plan fiduciary net position

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

NOTE 7: LITIGATION

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

NOTE 8: SCHOOL TAXES

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

	REGIONAL SCHOOL TAX	
	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
Balance of Tax	\$8,926,816.73	\$8,926,816.73
Deferred	9,013,877.00	9,013,877.00
Tax Payable(Prepaid)	<u>(\$87,060.27)</u>	<u>(\$87,060.27)</u>

NOTE 9: TERMINATION BENEFITS

Under existing contracts and policies of the Borough, employees, upon attaining retirement, accumulate benefits which may be taken as time off or paid in a lump sum. The accumulated cost of such unpaid termination compensation is not required to be reported in the financial statements as presented. The Borough has estimated its liability to be \$165,494.96. The Borough annually appropriates the amounts that are required to be paid in that year's budget and no liability is accrued at December 31, 2016.

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11: RISK MANAGEMENT

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

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

<u>Year</u>	<u>Borough Contributions and Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 41.04	\$ 5,144.08	\$ 7,104.98	\$ 1,446.67
2015	21.99	5,149.46	2,035.14	3,366.53
2014	29.24	5,884.99	7,426.50	230.22

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$15,542.75	\$207.65
Assessment Trust Fund		318.56
Animal Control Fund	5.39	
Trust Other Fund		15,224.19
General Capital Fund	202.26	
	<u>\$15,750.40</u>	<u>\$15,750.40</u>

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

NOTE 13: DEFERRED COMPENSATION PLAN

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

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

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

NOTE 14: LENGTH OF SERVICE AWARDS PROGRAM

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

Under this program, each volunteer that performs the minimum amount of service will have an annual amount of \$600.00 deposited into a tax deferred income account that will earn interest for the volunteer. The cost will be budgeted annually in the budget of the Borough and is anticipated to be \$24,242.00 per year. The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report, as required by State regulations.

NOTE 15: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

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

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

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

Plan Description. The Borough contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.* to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.



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

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough on a monthly basis. The Borough opted to defer the initial first two months payments which will only be payable upon the Borough opting out of the SHBP. A liability has been set up for the costs. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Borough's contributions to SHBP for the years ended December 31, 2016, 2015 and 2014 were \$516,383.89, \$512,571.72 and \$450,846.63 respectively, which equaled the required contributions for each year.

NOTE 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown:

	BALANCE DECEMBER 31, <u>2016</u>	2017 BUDGET APPROPRIATION	BALANCE TO SUCCEEDING <u>YEARS</u>
Current Fund:			
Emergency Appropriations-40A:4-53	\$86,000.00	\$26,000.00	\$60,000.00
Emergency Appropriations-40A:4-46	<u>50,000.00</u>	<u>50,000.00</u>	<u>                    </u>
	<u>\$136,000.00</u>	<u>\$76,000.00</u>	<u>\$60,000.00</u>

NOTE 17: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for the year 2016. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The Borough has made provision, from budget appropriations, in the amount of \$22,000 for these appeals in the event tax reductions are granted.

## NOTE 18: TAX ABATEMENTS

The Borough negotiates property tax abatement agreements on an individual basis. The Borough has a tax abatement agreement with three entities as of December 31, 2016:

<u>Purpose of Agreement</u>	<u>Taxing Government</u>	<u>Taxes if billed at full 2016</u>	<u>Received for Payments in Lieu of</u>	<u>Taxes Abated</u>		<u>Aggregate Reduction of Gov. Revenue</u>
		<u>Tax Rate</u>	<u>Taxes &amp; Land Tax</u>	<u>Amount</u>	<u>(%)</u>	
Fanwood Crossing II Construction of low and moderate income housing project	School	\$104,520.23		\$104,520.23	100%	\$ -
	County	33,994.51	5,056.54	28,937.96	85%	-
	Borough	34,948.91	96,074.30	(61,125.39)	-175%	-
	Total	173,463.65	101,130.84	72,332.81		-
Fanwood Crossing III Construction of low and moderate income housing project	School	\$55,456.15		55,456.15	100%	\$ -
	County	18,036.74	2,239.06	15,797.68	88%	-
	Borough	18,543.13	42,542.13	(23,999.00)	-129%	-
	Total	92,036.02	44,781.19	47,254.83		-
250 South Ave Construction of low and moderate income housing project	School	\$71,577.80		71,577.80	100%	\$ -
	County	23,280.20	4,387.33	18,892.87	81%	-
	Borough	23,933.80	83,593.87	(59,660.07)	-249%	-
	Total	118,791.80	87,981.20	30,810.60		-
	School	231,554.18	0.00	231,554.18		\$ -
	County	75,311.45	11,682.93	63,628.52		\$ -
	Borough	77,425.84	222,210.30	(144,784.46)		\$ -
	Total	\$384,291.47	\$233,893.23	\$150,398.24	39%	-

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

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

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

NOTE 18: TAX ABATEMENTS (CONTINUED)

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

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

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

NOTE 19: SUBSEQUENT EVENTS

On April 21, 2017 the Borough issued a Bond Anticipation Note for \$1,000,000.00 with an interest rate of 2.00%.

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

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BOROUGH OF FANWOOD  
SUPPLEMENTARY SCHEDULES - ALL FUNDS  
YEAR ENDED DECEMBER 31, 2016

BOROUGH OF FANWOODCURRENT FUNDSCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance, December 31, 2015	A	\$ 1,904,957.50
Increased by Receipts:		
Taxes Receivable	A-9	\$ 31,633,982.42
Prepaid Taxes	A-17	105,335.08
Tax Overpayments	A-18	53,850.17
Revenue Accounts Receivable	A-12	2,490,082.65
Miscellaneous Revenue Not Anticipated	A-2	53,076.00
Interfunds Receivable	A-23	130,573.62
Appropriations Refunds	A-3	580,938.29
Grants Receivable	A-5	594,299.83
State of New Jersey-Senior Citizens and Veterans Deductions-Chapter 20, P.L.1971	A-8	58,104.10
Petty Cash	A-7	400.00
Sewer Charges	A-29	60,445.51
County PILOT payable	A-35	11,051.39
Due to State of New Jersey:		
State Training Fees	A-25	7,885.00
Marriage License Fees	A-16	550.00
		<u>35,780,574.06</u>
		\$ 37,685,531.56
Decreased by Disbursements:		
Appropriations	A-3	\$ 9,509,008.23
Appropriation Reserves	A-13	361,873.64
County Taxes	A-20	6,224,469.74
Regional School Taxes	A-21	18,554,568.00
Interfunds Payable	A-23	160,112.73
Petty Cash	A-7	400.00
Refund of P.I.L.O.T. Revenue to County	A-34	31,214.63
Refund of Parking Meter Revenue	A-2	9,989.94
Accounts Payable	A-24	19,000.00
Tax Overpayments	A-18	16,025.61
Refund of Prior Year Revenue	A-1	54,912.15
Reserve for Grants Appropriated	A-22	372,082.00
Due to State of New Jersey:		
State Training Fees	A-25	8,069.00
Marriage License Fees	A-16	450.00
		<u>35,322,175.67</u>
Balance, December 31, 2016	A	\$ <u>2,363,355.89</u>

BOROUGH OF FANWOOD  
CURRENT FUND  
SCHEDULE OF GRANTS RECEIVABLE

<u>PROGRAM</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>	<u>2016</u> <u>ANTICIPATED</u> <u>REVENUE</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>
Hazardous Mitigation Grant	\$ 125,000.00	\$	\$	\$ 50,000.00	\$ 75,000.00
Clean Communities Grant		15,648.38	15,648.38		
Body Armor Replacement Fund		1,863.38	1,863.38		
Smart Future Historic Preservation Grant	7,054.70				7,054.70
Union County Kids Recreation Grant	11,348.89		11,348.89		
Union County Kids Recreation Grant-09	1,806.61		1,117.63		688.98
Union County Kids Recreation Grant-11	50,000.00		35,133.44		14,866.56
Union County Kids Recreation Grant-14	40,000.00		40,000.00		
Union County Kids Recreation Grant-15	63,000.00		39,815.04		23,184.96
Union County Kids Recreation Grant-16		80,000.00	15,576.36		64,423.64
2015 Infrastructure and Municipal Aid Grant	325,707.00		325,707.00		
Municipal Alliance-12	2,088.56				2,088.56
R.O.I.D. Grant	18,762.91	20,000.00	24,533.89		14,229.02
TDR Grant 06	20,000.00				20,000.00
Drunk Driving Enforcement Fund		1,947.89	1,947.89		
Local Domestic Preparedness Equip Grant	21,500.00				21,500.00
NJ Prevention Grant		3,000.00	3,000.00		
Click It or Ticket	600.00				600.00
Recycling Tonnage Grant		11,289.93	11,289.93		
PSE&G Reliability Grant	36,338.00		9,338.00		27,000.00
NJ Economic Development Authority	53,540.00		52,480.00		1,060.00
Union County Heart Grant	2,500.00	2,500.00	2,500.00		2,500.00
Union County Heart Grant	937.50				937.50
Preserve Union County-Carriage House	5,947.02				5,947.02
Historic Preservation Grant	20,000.00				20,000.00
Sustainable NJ	2,760.50				2,760.50
Greening Union County - NJ Forestry		3,000.00	3,000.00		
Greening Union County	1,155.50	1,200.00			2,355.50
Drive Sober or Get Pulled Over	5,000.00	5,000.00			10,000.00
	<u>\$ 815,047.19</u>	<u>\$ 145,449.58</u>	<u>\$ 594,299.83</u>	<u>\$ 50,000.00</u>	<u>\$ 316,196.94</u>

<u>REF.</u>	A	A-2	A-4	A-22	A
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"A-6"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF CHANGE FUNDS

REF.

Balance, December 31, 2015 and  
December 31, 2016

A

\$ 350.00

OFFICE

Municipal Court  
Board of Health  
Collector

\$ 100.00  
50.00  
200.00

\$ 350.00

"A-7"

SCHEDULE OF PETTY CASH

OFFICE

Treasurer

RECEIVED  
FROM  
TREASURER

RETURNED  
TO  
TREASURER

\$ 400.00 \$ 400.00

REF.

A-4

A-4



BOROUGH OF FANWOOD

CURRENT FUND

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

	<u>REF.</u>	
Balance, December 31, 2015 (Due From)	A	\$ 8,535.85
Increased by:		
Senior Citizens and Veterans Deductions:		
Prior Year Tax Adjustment		750.00
Allowed by Collector		57,750.00
Per Tax Billings		\$ <u>67,035.85</u>
Decreased by:		
Senior Citizens and Veterans Deductions:		
Received in Cash From State	A-4	<u>58,104.10</u>
Balance, December 31, 2016 (Due From)	A	\$ <u><u>8,931.75</u></u>

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

Senior Citizens and Veterans Deductions:		
Per Tax Billings	\$ 57,750.00	
Allowed by Collector	<u>750.00</u>	
	\$ <u><u>58,500.00</u></u>	
Per Tax Billings	A-9	\$ <u><u>58,500.00</u></u>

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>YEAR</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>2016 LEVY</u>	<u>COLLECTIONS BY CASH</u>		<u>TRANSFERRED TO TAX TITLE LIENS</u>	<u>CANCELED</u>	<u>BALANCE DECEMBER 31, 2016</u>
			<u>2015</u>	<u>2016</u>			
2015	\$ 162,169.64 \$	\$	\$	162,169.64 \$	\$	\$	\$
2016		31,741,435.15	66,228.78	31,536,269.30	1,105.12	31,829.93	106,002.02
	\$ 162,169.64 \$	31,741,435.15 \$	66,228.78 \$	31,698,438.94 \$	1,105.12 \$	31,829.93 \$	106,002.02
<u>REF.</u>	<u>A</u>		<u>A-2, A-17</u>	<u>A-2</u>	<u>A-10</u>		<u>A</u>

REF.

Collector A-4  
Overpayments Applied A-18  
State of New Jersey A-8

\$ 31,633,982.42  
5,956.52  
58,500.00  
\$ 31,698,438.94

ANALYSIS OF 2016 PROPERTY TAX LEVY

TAX YIELD  
General Purpose Tax \$ 31,669,052.11  
Added and Omitted Tax (54:4-63.1 et seq.) 72,383.04  
\$ 31,741,435.15

TAX LEVY  
Regional District School Tax:  
Levy (Abstract)  
County Tax (Abstract)  
Due County for Added Taxes - (54:4-63.1 et seq.)  
Total County Tax  
Local Tax for Municipal Purposes (Abstract)  
Minimum Library Tax  
Add: Additional Taxes Levied

\$ 6,205,111.04  
13,900.90  
\$ 5,999,029.54  
381,257.71  
60,761.96

\$ 19,081,374.00  
6,219,011.94  
6,441,049.21

\$ 31,741,435.15

TOTAL

"A-10"

BOROUGH OF FANWOOD  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>REF.</u>		
Balance, December 31, 2015	A	\$	25,069.83
Increased by:			
Transfers From Taxes Receivable	A-9		1,105.12
		\$	<u>26,174.95</u>
Balance, December 31, 2016	A	\$	<u><u>26,174.95</u></u>

"A-11"

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
AT ASSESSED VALUATION

Balance, December 31, 2015 and December 31, 2016	A	\$	<u><u>12,279.00</u></u>
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BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

REF.	BALANCE DECEMBER 31, 2015	ACCRUED IN 2016	COLLECTED	BALANCE DECEMBER 31, 2016
Clerk:				
Licenses:				
Alcoholic Beverage				
Health Officer:				
License		8,125.00 \$	8,125.00 \$	
Fees and Permits		4,080.00	4,080.00	
Construction Code Official:		5,660.00	5,660.00	
Fees and Permits		166,797.00	166,797.00	
Municipal Court:				
Fines and Costs	17,675.56	207,555.96	211,544.21	13,687.31
Police Department:				
Fees and Permits		75,110.74	75,110.74	
Zoning Fees and Permits		7,055.00	7,055.00	
Fire Inspection Fees		12,583.55	12,583.55	
Interest and Cost on Taxes		39,904.99	39,904.99	
Parking Meters		301,273.59	301,273.59	
Interest on Investments		40,027.59	40,027.59	
Energy Receipts Tax		755,288.00	755,288.00	
Capital Fund Balance		9,000.00	9,000.00	
Uniform Fire Safety Act		4,739.15	4,739.15	
Shared Services - Garwood DPW Director		40,333.33	40,333.33	
T Mobile Rental Fee		109,688.75	109,688.75	
Bulk Waste Pick Up		18,525.00	18,525.00	
Verizon TV		78,159.08	78,159.08	
Reserve for Debt Service		148,000.00	148,000.00	
Cable T.V.-Gross Revenue Franchise Fee		31,977.37	31,977.37	
Sale of Municipal Assets		200,000.00	200,000.00	
P.I.L.O.T. Elite Phase I		160,434.93	160,434.93	
Pilot - Fanwood Crossing 2		48,972.03	48,972.03	
Pilot - Fanwood Crossing 3		12,803.34	12,803.34	
	<u>\$ 17,675.56 \$</u>	<u>2,486,094.40 \$</u>	<u>2,490,082.65 \$</u>	<u>13,687.31</u>
REF.	A	A-4	A	A

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2015	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED
<u>SALARIES AND WAGES:</u>				
Administrative and Executive	\$ 273.65	\$ 273.65	\$	273.65
Office of the Mayor	353.51	353.51		353.51
Financial Administration	7,385.44	7,385.44	556.50	6,828.94
Assessment of Taxes	14.98	14.98		14.98
Collection of Taxes	1.78	1.78		1.78
Municipal Prosecutors	13.90	13.90		13.90
Environmental Commission	0.99	0.99		0.99
School Crossing Guards	889.18	889.18		889.18
Police	46,660.15	31,660.15	7,805.86	23,854.29
Fire Prevention Bureau	1,014.92	1,014.92	1,014.92	
Road Repair and Maintenance	59,642.21	75,642.21	39,823.34	35,818.87
Board of Health	825.88	825.88		825.88
Sanitation:				
Solid Waste Management Act	265.94	265.94		265.94
Parks and Playgrounds	105.19	105.19		105.19
Municipal Court	4,582.44	4,582.44		4,582.44
Construction Official	256.41	256.41		256.41
Plumbing Inspector	0.99	0.99		0.99
Building Inspector	5.55	5.55		5.55
Electrical Inspector	0.91	0.91		0.91
Zoning Officer	5.00	5.00		5.00
Fire Sub Code Official	1.00	1.00		1.00
<u>OTHER EXPENSES:</u>				
Administrative and Executive	9,663.54	10,994.77	8,897.28	2,097.49
Office of The Mayor	75.55	130.55		130.55
Collection of Taxes	10.99	25.12	14.13	10.99
Financial Administration	6,636.53	4,156.09	3,759.51	396.58
Audit	1,750.00			
Assessment of Taxes	5,819.39	2,858.84	258.20	2,600.64
Legal Services and Costs	4,349.74	37,680.68	25,974.83	11,705.85
Public Defender	5,473.48	5,473.48		5,473.48
Engineering Services and Costs	6,166.74	6,166.74	6,166.66	0.08
Planning Board	2,817.67	4,651.01	2,750.01	1,901.00
Credit Card Fees	3,201.22	3,201.22	946.13	2,255.09
Environmental Commission	258.84	408.84	382.44	26.40
Shade Tree Commission	1,227.85	19,487.85	17,180.00	2,307.85
Insurance:				
Group Insurance	1,739.59	1,739.59	860.43	879.16
Other Insurance Premiums	10,200.34	800.34		800.34
Workmen's Compensation	2,314.00	2,314.00		2,314.00
Health Benefit Waiver	877.68	877.68		877.68
Fire:				
Fire Hydrants	1,500.00	1,500.00	1,500.00	
Miscellaneous	111.96	19,343.94	18,868.72	475.22
Fire Prevention Bureau	36.33	1,566.64	1,055.79	510.85
Police	620.23	5,869.92	5,805.51	64.41
Dispatchers		41,600.00	41,600.00	
Traffic Signal Maintenance	1,142.00	1,142.00		1,142.00
Sanitation:				
Solid Waste Management Act	5,673.63	14,496.68	11,925.95	2,570.73
Emergency Management Services	1,097.17	1,097.17	180.00	917.17
Road Repair and Maintenance	6,407.34	13,262.99	12,915.11	347.88
Street Lighting	10,540.91	21,382.57	20,304.67	1,077.90
Board of Health	1,139.14	1,466.33	426.19	1,040.14
Contractual - Town of Westfield	354.00	354.00		354.00
Animal Control Regulation		16,000.00	16,000.00	
Snow Removal	25,238.72	35,238.72	35,238.72	
New Jersey Public Employees Occupational and Safety Health	1,000.00	1,000.00		1,000.00

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2015	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED
Historic Preservation Commission	\$ 845.70	\$ 845.70	\$ 94.50	\$ 751.20
Parks and Playgrounds	48.50	370.72	364.52	6.20
Celebration of Public Events	423.32	1,192.60	-50.00	1,242.60
Senior Citizen	2,735.04	2,735.04	1,200.00	1,535.04
Construction Official	5,679.11	2,191.49	512.38	1,679.11
Zoning Officer	483.28	483.28		483.28
Utilities- Other	25,840.50	32,224.17	30,008.41	2,215.76
Gasoline and Diesel Fuel	778.21	778.21		778.21
Downtown Revitalization	12,548.32	4,265.79		4,265.79
Postage	3,486.54	3,486.54		3,486.54
N.J. Transit Contractual	17,440.93	17,656.93	11,977.25	5,679.68
Contingent	400.00	400.00		400.00
Contribution to:				
Social Security System	2,880.09	2,880.09		2,880.09
Defined Contribution Retirement Program	1,317.47	1,317.47	30.49	1,286.98
Municipal Court	1,730.22	2,076.30	361.38	1,714.92
Community Assessment	667.15	7,037.98	6,189.13	848.85
Maintenance of Free Public Library (N.J.S.A. 40:54)	2,707.09	3,974.28	2,961.42	1,012.86
Statutor Expenditures:				
Interlocal Agreements- Twp of Scotch Plains:				
Street Lighting- Other Expense	2,000.00	2,000.00		2,000.00
Garwood Shared Services- DPW Director	7,917.00	7,917.00		7,917.00
Capital Improvements:				
Emergency Authorizations	2,374.50	2,374.50		2,374.50
Capital Improvement Fund		60,000.00	60,000.00	
	<u>\$ 332,047.57</u>	<u>\$ 555,795.87</u>	<u>\$ 395,860.38</u>	<u>\$ 159,935.49</u>
REF.	A			A-1
Appropriation Reserves	A-13	\$ 332,047.57		
Transferred from Accounts Payable	A-24	<u>223,748.30</u>		
		<u>\$ 555,795.87</u>		
Cash Disbursements	A-4		\$ 361,873.64	
Transferred to Reserve for Snow Removal	A-31		25,114.27	
Transferred to Reserve for Library	A-30		136.28	
Transferred to Accounts Payable	A-24		<u>8,736.19</u>	
			<u>\$ 395,860.38</u>	

"A-14"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR SALE OF  
MUNICIPAL ASSETS

REF.

Balance, December 31, 2015 and  
December 31, 2016

A

\$ 125.00

"A-15"

SCHEDULE OF RESERVE GRANTS - UNAPPROPRIATED

Balance, December 31, 2015 and  
December 31, 2016

A

\$ 1,357.50

ANALYSIS OF BALANCE

Greening Union County

\$ 1,357.50

"A-16"

BOROUGH OF FANWOOD

CURRENT FUND

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

	<u>REF.</u>	
Increased by:		
Receipts	A-4	\$ <u>550.00</u>
Decreased by:		
Disbursements	A-4	\$ <u>450.00</u>
Balance, December 31, 2016	A	\$ <u><u>100.00</u></u>

"A-17"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2015	A	\$ 66,228.78
Increased by:		
Collection of 2017 Taxes	A-4	105,335.08
		\$ <u>171,563.86</u>
Decreased by:		
Applied to Taxes Receivable	A-9	<u>66,228.78</u>
Balance, December 31, 2016	A	\$ <u><u>105,335.08</u></u>



"A-18"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2015	A	\$	30,416.58
Increased by:			
Overpayments in 2016	A-4		53,850.17
		\$	<u>84,266.75</u>
Decreased by:			
Applied to Taxes Receivable	A-9	\$	5,956.52
Refunded	A-4		16,025.61
Cancelled	A-1		<u>5,262.31</u>
			<u>27,244.44</u>
Balance, December 31, 2016	A	\$	<u><u>57,022.31</u></u>

"A-19"

SCHEDULE OF DEFERRED CHARGES

Balance, December 31, 2015	A	\$	70,883.09
Increased by:			
Emergency Appropriation 40A:4-53 - Tax Maps	A-3		100,000.00
Emergency Appropriation 40A:4-46 - COAH Legal Fees	A-3		<u>50,000.00</u>
			150,000.00
		\$	<u>220,883.09</u>
Decreased by:			
Raised in Budget	A-3		59,883.09
Canceled - Reserve for Tax Maps	A-33		<u>25,000.00</u>
			<u>84,883.09</u>
Balance, December 31, 2016	A	\$	<u><u>136,000.00</u></u>

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2015	A	\$	20,972.72
Increased by:			
2016 Levy	A-1:A-9	\$	6,205,111.04
Added Taxes - 54:63.1 et.seq.	A-1:A-9		<u>13,900.90</u>
			6,219,011.94
		\$	<u>6,239,984.66</u>
Decreased by:			
Payments	A-4		<u>6,224,469.74</u>
Balance, December 31, 2016	A	\$	<u><u>15,514.92</u></u>

SCHEDULE OF REGIONAL DISTRICT SCHOOL TAX

Balance, December 31, 2015			
School Tax Deferred		\$	9,013,877.00
School Tax Prepaid	A		<u>(87,060.27)</u>
		\$	8,926,816.73
Increased by:			
Levy-School Year July 1, 2016 to June 30, 2017	A-9		<u>19,081,374.00</u>
		\$	<u>28,008,190.73</u>
Decreased by:			
Payments in 2016	A-4		<u>18,554,568.00</u>
Balance, December 31, 2016			
School Tax Deferred		\$	9,540,683.00
School Tax Prepaid	A		<u>(87,060.27)</u>
		\$	<u><u>9,453,622.73</u></u>
2016 Liability for Regional School District Tax:			
School Tax Paid 2016		\$	18,554,568.00
Add: School Tax (Prepaid) December 31, 2015			<u>87,060.27</u>
		\$	<u>18,641,628.27</u>
Add: School Tax (Prepaid) December 31, 2016			<u>87,060.27</u>
	A-1	\$	<u><u>18,554,568.00</u></u>

## BOROUGH OF FANWOOD

## CURRENT FUND

## SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

PROGRAM	BALANCE DECEMBER 31, 2015	TRANSFERRED FROM ACCOUNTS PAYABLE	2016 APPROPRIATIONS	EXPENDED	CANCELLED	BALANCE DECEMBER 31, 2016
Drunk Driving Enforcement Fund	\$ 6,026.00	\$ 504.50	\$ 1,947.89	\$ 948.28	\$	\$ 7,530.11
Clean Communities Program	18,985.45		15,648.38	7,597.48		27,036.35
Hazardous Mitigation Grant	125,000.00			3,775.00	50,000.00	71,225.00
Recycling Enhancement Grant	668.25					668.25
Improvements to Carriage House	844.05					844.05
PSE&G Reliability Project	25,713.00					25,713.00
NJ Prevention Network			3,000.00	3,000.00		
Sustainable NJ	1,249.93	333.00				217.67
Union County Kids Recreation	5,526.75	94,150.24	80,000.00	46,153.21		133,523.78
Comcast Grant	60,000.00			14,865.00		45,135.00
Rahway River Rain Garden	1,173.10					1,173.10
Municipal Alliance - Local Match	225.19					225.19
Municipal Alliance	8,245.31		4,551.50	2,052.25		10,744.56
Body Armor Replacement Fund	13,478.35		1,863.38	2,655.00		12,686.73
Recycling Tonnage Grant	32,876.62		11,289.93	16,151.02		28,015.53
Preserve Union County-Carriage House	2,974.05					2,974.05
ROID Grant	121.32	3,100.98	20,000.00	11,583.16		11,639.14
ROID Grant-Match	2,060.00	4,000.00		4,000.00		2,060.00
2015 Infrastructure and Municipal Aid Grant	163,057.00	62,650.00		201,333.78		24,373.22
Click It or Ticket	8,700.00			1,400.00		7,300.00
Drive Sober or Get Pulled Over	5,000.00		5,000.00			10,000.00
Over the Limit Under Arrest	4,400.00					4,400.00
Preserve Union County	9,781.12	7,728.61		17,491.48		18.25
Historic Preservation Grant		19,517.68		16,032.83		3,484.85
Union County Heart Grant-Prior				721.34		2,509.80
Union County Heart Grant	3,231.14		2,500.00	1,000.00		1,500.00
PSEG Tree Planting Grant	3,276.00					3,276.00
Greening Union County	2,028.50		1,200.00			3,228.50
Greening Union County - NJ Forestry			3,000.00			3,000.00
NJ Economic Development Authority	35,960.08			35,960.00		0.08
Matching Funds for Grants			4,000.00			4,000.00
	\$ 540,601.21	\$ 191,985.01	\$ 154,001.08	\$ 388,085.09	\$ 50,000.00	\$ 448,502.21
REF.	A	A-24	A-3		A-5	A
Cash Disbursements				\$ 372,082.00		
Encumbrances Payable				16,003.09		
				\$ 388,085.09		



"A-24"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2015	A	\$	616,838.06
Increased by:			
Federal and State Grants Appropriated	A-22	\$	16,003.09
Reserve for Tax Maps	A-33		57,320.00
2016 Appropriations	A-3		311,079.74
2015 Appropriation Reserves	A-13		<u>8,736.19</u>
			393,139.02
		\$	<u>1,009,977.08</u>
Decreased by:			
Transferred to Appropriation Reserves	A-13	\$	223,748.30
Transferred to Federal and State Grants Appropriated	A-22		191,985.01
Disbursements	A-4		<u>19,000.00</u>
			434,733.31
Balance, December 31, 2016	A	\$	<u><u>575,243.77</u></u>

"A-25"

SCHEDULE OF STATE TRAINING FEES -  
DUE STATE OF NEW JERSEY

Balance, December 31, 2015	A	\$	1,411.54
Increased by:			
Receipts	A-4		<u>7,885.00</u>
		\$	9,296.54
Decreased by:			
Disbursements	A-4		<u>8,069.00</u>
Balance, December 31, 2016	A	\$	<u><u>1,227.54</u></u>

"A-26"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR FIRE FINES AND PENALTIES

REF.

Balance, December 31, 2015 and  
December 31, 2016

A

\$ 25.00

"A-27"

SCHEDULE OF BURIAL PERMITS  
DUE STATE OF NEW JERSEY

Balance, December 31, 2015 and  
December 31, 2016

A

\$ 35.00

"A-28"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

REF.

Increased by:		
Transfers from Current Taxes Receivable	A-2	\$ <u>22,000.00</u>
Balance, December 31, 2016	A	\$ <u><u>22,000.00</u></u>

"A-29"

SCHEDULE OF SEWER CHARGES RECEIVABLE

Increased by:		
Sewer Charges		\$ <u>60,652.77</u>
Decreased by:		
Cash Receipts	A-2:A-4	\$ <u>60,445.51</u>
Balance, December 31, 2016	A	\$ <u><u>207.26</u></u>

"A-30"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR LIBRARY

	<u>REF.</u>		
Balance, December 31, 2015	A		4,905.76
Increased by:			
Transferred from Appropriation Reserves	A-13		<u>136.28</u>
Balance, December 31, 2016	A	\$	<u><u>5,042.04</u></u>

"A-31"

SCHEDULE OF RESERVE FOR SNOW REMOVAL

Balance, December 31, 2015	A	\$	29,684.35
Increased by:			
Transferred from Appropriation Reserves	A-13		25,114.27
Transfer from 2016 Appropriations	A-3		<u>5,579.52</u>
		\$	<u><u>30,693.79</u></u>
Balance, December 31, 2016	A	\$	<u><u>60,378.14</u></u>

"A-32"

SCHEDULE OF RESERVE FOR SALARY INCREASES

Balance, December 31, 2015 and December 31, 2016	A	\$	<u><u>5,000.00</u></u>
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"A-33"

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX MAPS

	<u>REF.</u>		
Increased by:			
Special Emergency Appropriation	A-3	\$	100,000.00
Decreased by:			
Cancelled by Resolution	A-19	\$	25,000.00
Encumbrances Payable	A-24		<u>57,320.00</u>
		\$	<u>82,320.00</u>
Balance, December 31, 2016	A	\$	<u><u>17,680.00</u></u>

"A-34"

SCHEDULE OF LIEN HELD BY MUNICIPALITY

Increased by:			
Lien Held by Municipality		\$	<u>27,211.38</u>
Balance, December 31, 2016	A	\$	<u><u>27,211.38</u></u>

"A-35"

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

Increased by:			
Cash Receipts	A-4	\$	<u>11,051.39</u>
Decreased by:			
Cash Disbursements	A-4	\$	<u>31,214.63</u>
Balance, December 31, 2016 (Due From)	A	\$	<u><u>20,163.24</u></u>

BOROUGH OF FANWOOD

CURRENT FUND

SCHEDULE OF RESERVE FOR LAWSUIT

REF.

Balance, December 31, 2015 and  
December 31, 2016

A

\$ 74,003.65

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>ANIMAL CONTROL</u>	<u>OTHER</u>
Balance, December 31, 2015	B	\$ <u>1,673.88</u>	\$ <u>922,397.46</u>
Increased by:			
Animal Control Fees	B-8	\$ 5,251.30	\$
Community Development Block Grant	B-2		11,960.00
Due Current Fund	B-4	35.83	3,999.87
Cell Tower Deposits	B-18		81.16
Miscellaneous Trust Deposits	B-5		19,395.00
Unemployment Compensation Insurance	B-6		5,185.12
Builders Escrow	B-9		38,231.65
Redevelopment Escrow	B-11		5,233.52
Tax Sale Premiums	B-17		225,000.00
Zoning Escrow	B-10		78,084.18
Recreation Commission	B-12		186,968.64
Law Enforcement Trust Fund	B-13		98.17
Developers Housing Escrow	B-14		79,494.54
Police Off-Duty Pay	B-20		329,562.89
Payroll Deductions	B-19		1,996,574.76
Library	B-15		19,422.68
In Lieu of Construction	B-16		40,000.00
		\$ <u>5,287.13</u>	\$ <u>3,039,292.18</u>
		\$ <u>6,961.01</u>	\$ <u>3,961,689.64</u>
Decreased by:			
Expenditures Under R.S.4:19-15.11	B-8	\$ 1,550.78	\$
Due Current Fund	B-4	35.83	37,946.32
Miscellaneous Trust Deposits	B-5		14,586.60
Unemployment Compensation Insurance	B-6		7,104.98
Community Development Block Grant Fund	B-7		6,856.06
Builders Escrow	B-9		50,883.17
Tax Sale Premiums	B-17		266,000.00
Zoning Escrow	B-10		86,580.95
Redevelopment Escrow	B-11		5,025.03
Recreation Commission	B-12		200,931.66
Developers Housing Escrow(COAH)	B-14		145,140.83
Police Off-Duty Pay	B-20		357,313.36
Payroll Deductions	B-19		1,995,290.05
PSEG Deposits	B-21		9,338.00
Library Fund	B-15		13,164.81
Cell Towers	B-18		2,137.50
In Lieu of Construction	B-16		14,185.49
		\$ <u>1,586.61</u>	\$ <u>3,212,484.81</u>
Balance, December 31, 2016	B	\$ <u><u>5,374.40</u></u>	\$ <u><u>749,204.83</u></u>

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT RECEIVABLE

<u>PROGRAM</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>	<u>DUE FROM</u> <u>COUNTY OF UNION</u> <u>COMMUNITY</u> <u>DEVELOPMENT</u> <u>BLOCK GRANTS</u>	<u>DECREASED</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>
Senior Citizen Program	\$ 10,800.00 \$	\$	10,800.00 \$	
Handyman	1,000.00		965.00	35.00
Senior Citizen Program		10,300.00	195.00	10,105.00
Handyman		1,000.00		1,000.00
	<u>\$ 11,800.00 \$</u>	<u>11,300.00 \$</u>	<u>11,960.00 \$</u>	<u>11,140.00</u>
<u>REF.</u>	B	B-7		B
Cash Receipts			\$ 11,960.00	

"B-3"

BOROUGH OF FANWOOD

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

BALANCE  
DECEMBER  
31, 2016

Cash Deficit	\$	(318.56)
Due Current Fund		<u>318.56</u>
	\$	<u><u>-0-</u></u>
<u>REF.</u>		B

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	<u>ASSESSMENT FUND</u>	<u>ANIMAL CONTROL FUND</u>	<u>TRUST OTHER FUNDS</u>
Balance, December 31, 2015				
(Due From)	B	\$ 318.56	\$	49,170.64
(Due To)	B		\$ 5.39	
Cash Receipts	B-1		35.83	3,999.87
Cash Disbursements	B-1		35.83	37,946.32
Balance, December 31, 2016				
(Due From)	B	\$	5.39	
(Due To)	B	\$ 318.56		15,224.19

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	76,992.64
Increased by:			
Cash Receipts	B-1		19,395.00
		\$	<u>96,387.64</u>
Decreased by:			
Cash Disbursements	B-1		<u>14,586.60</u>
Balance, December 31, 2016	B	\$	<u><u>81,801.04</u></u>

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

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR UNEMPLOYMENT  
COMPENSATION INSURANCE

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	3,367.43
Increased by:			
Receipts	B-1	\$	<u>5,185.12</u>
		\$	8,552.55
Decreased by:			
Disbursements	B-1		<u>7,104.98</u>
Balance, December 31, 2016	B	\$	<u><u>1,447.57</u></u>



BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR COMMUNITY DEVELOPMENT BLOCK GRANT

<u>PROGRAM</u>	<u>BALANCE</u> DECEMBER 31, 2015	<u>DUE FROM</u> COUNTY OF UNION- COMMUNITY DEVELOPMENT BLOCK GRANTS	<u>DECREASED</u>	<u>BALANCE</u> DECEMBER 31, 2016
Senior Citizen Program	\$ 4,352.13 \$	\$	4,352.13 \$	
Handyman Program	640.00		615.00	25.00
Senior Citizen Program		10,300.00	1,888.93	8,411.07
Handyman Program		1,000.00		1,000.00
	<u>\$ 4,992.13 \$</u>	<u>11,300.00 \$</u>	<u>6,856.06 \$</u>	<u>9,436.07</u>
<u>REF.</u>	B	B-2		B
Cash Disbursements			<u>\$ 6,856.06</u>	

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	1,679.27
Increased by:			
Dog License Fees		\$	4,297.20
Other Fees			954.10
	B-1		<u>5,251.30</u>
		\$	<u>6,930.57</u>
Decreased by:			
Expenditures Under R.S. 4:19-15.11:			
Cash Disbursements	B-1		<u>1,550.78</u>
Balance, December 31, 2016	B	\$	<u><u>5,379.79</u></u>

LICENSE FEES COLLECTED

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

"B-9"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR BUILDERS ESCROW

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	97,435.35
Increased by:			
Cash Receipts	B-1		38,231.65
		\$	<u>135,667.00</u>
Decreased by:			
Cash Disbursements	B-1		<u>50,883.17</u>
Balance, December 31, 2016	B	\$	<u><u>84,783.83</u></u>

"B-10"

SCHEDULE OF RESERVE FOR ZONING ESCROW

Balance, December 31, 2015	B	\$	23,079.49
Increased by:			
Cash Receipts	B-1		78,084.18
		\$	<u>101,163.67</u>
Decreased by:			
Cash Disbursements	B-1		<u>86,580.95</u>
Balance, December 31, 2016	B	\$	<u><u>14,582.72</u></u>

"B-11"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR REDEVELOPMENT ESCROW

	<u>REF.</u>	
Balance, December 31, 2015	B	\$ 6,035.84
Increased by:		
Cash Receipts	B-1	5,233.52
		\$ <u>11,269.36</u>
Decreased by:		
Cash Disbursements	B-1	5,025.03
Balance, December 31, 2016	B	\$ <u><u>6,244.33</u></u>

"B-12"

SCHEDULE OF RESERVE FOR RECREATION COMMISSION

Balance, December 31, 2015	B	\$ 63,446.73
Increased by:		
Cash Receipts	B-1	186,968.64
		\$ <u>250,415.37</u>
Decreased by:		
Cash Disbursements	B-1	200,931.66
Balance, December 31, 2016	B	\$ <u><u>49,483.71</u></u>

"B-13"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUNDS

Balance, December 31, 2015	B	\$ 13,039.15
Increased by:		
Cash Receipts	B-1	98.17
Balance, December 31, 2016	B	\$ <u><u>13,137.32</u></u>

"B-14"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS HOUSING ESCROW(COAH)

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	79,609.93
Increased by:			
Cash Receipts	B-1		<u>79,494.54</u>
		\$	<u>159,104.47</u>
Decreased by:			
Cash Disbursements	B-1		<u>145,140.83</u>
Balance, December 31, 2016	B	\$	<u><u>13,963.64</u></u>

"B-15"

SCHEDULE OF RESERVE FOR LIBRARY

Balance, December 31, 2015	B	\$	51,311.89
Increased by:			
Cash Receipts	B-1		<u>19,422.68</u>
		\$	<u>70,734.57</u>
Decreased by:			
Cash Disbursements	B-1		<u>13,164.81</u>
Balance, December 31, 2016	B	\$	<u><u>57,569.76</u></u>

"B-16"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR IN LIEU OF CONSTRUCTION

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	40,796.81
Increased by:			
Cash Receipts	B-1		40,000.00
		\$	<u>80,796.81</u>
Decreased by:			
Cash Disbursements	B-1		<u>14,185.49</u>
Balance, December 31, 2016	B	\$	<u><u>66,611.32</u></u>

"B-17"

SCHEDULE OF TAX SALE PREMIUMS AND REDEMPTIONS

Balance, December 31, 2015	B	\$	293,200.00
Increased by:			
Cash Receipts	B-1		225,000.00
		\$	<u>518,200.00</u>
Decreased by:			
Cash Disbursements	B-1		<u>266,000.00</u>
Balance, December 31, 2016	B	\$	<u><u>252,200.00</u></u>

"B-18"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR CELL TOWER DEPOSITS

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	18,781.35
Increased by:			
Cash Receipts	B-1		81.16
		\$	<u>18,862.51</u>
Decreased by:			
Cash Disbursements	B-1		<u>2,137.50</u>
Balance, December 31, 2016	B	\$	<u><u>16,725.01</u></u>

"B-19"

SCHEDULE OF PAYROLL DEDUCTIONS

Balance, December 31, 2015	B	\$	28,937.35
Increased by:			
Cash Receipts	B-1		1,996,574.76
		\$	<u>2,025,512.11</u>
Decreased by:			
Cash Disbursements	B-1		<u>1,995,290.05</u>
Balance, December 31, 2016	B	\$	<u><u>30,222.06</u></u>

"B-20"

BOROUGH OF FANWOOD

TRUST FUND

SCHEDULE OF RESERVE FOR POLICE OFF-DUTY PAY

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	74,662.73
Increased by:			
Cash Receipts	B-1	\$	<u>329,562.89</u>
			<u>404,225.62</u>
Decreased by:			
Cash Disbursements	B-1		<u>357,313.36</u>
Balance, December 31, 2016	B	\$	<u><u>46,912.26</u></u>

"B-21"

SCHEDULE OF RESERVE FOR PSEG PROGRAM

Balance, December 31, 2015	B	\$	9,338.00
Decreased by:			
Cash Disbursements	B-1	\$	<u><u>9,338.00</u></u>



BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2015	C	\$	1,499,961.50
Increased by Receipts:			
Capital Improvement Fund	C-8	\$	73,500.00
General Serial Bonds	C-11		6,240,000.00
Bond Anticipation Note	C-12		5,914,976.00
Grants Receivable	C-13		92,500.00
NJEIT Loan Proceeds Receivable	C-16		18,593.00
Due Current Fund	C-4		449,841.96
Premium on Sale of Notes	C-1		<u>123,106.40</u>
			12,912,517.36
		\$	<u>14,412,478.86</u>
Decreased by Disbursements:			
Bond Anticipation Note	C-12	\$	11,278,952.00
Reserve for Debt Service	C-14		148,000.00
Contracts Payable	C-10		1,260,754.67
Fund Balance Anticipated as Revenue	C-1		9,000.00
Due Current Fund	C-4		<u>394,831.06</u>
			<u>13,091,537.73</u>
Balance, December 31, 2016	C	\$	<u><u>1,320,941.13</u></u>

"C-3"

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH

	BALANCE DECEMBER <u>31, 2016</u>
Capital Fund Balance	\$ 123,165.69
Contracts Payable	640,184.85
Capital Improvement Fund	67,218.72
Improvement Authorizations Funded Set Forth on "C-9"	1,348,110.43
Improvement Authorizations Expended Set Forth on "C-7"	(396,952.60)
State Aid Receivable	(565,307.58)
Reserve to Pay Bonds	110,723.88
Due from Scotch Plains - Fanwood Board of Education	(6,000.00)
Due Current Fund	<u>(202.26)</u>

\$ 1,320,941.13

REF. C

"C-4"

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Balance, December 31, 2015 (Due From)	C	\$ 55,213.16
Increased by:		
Cash Disbursements	C-2	394,831.06
		\$ <u>450,044.22</u>
Decreased by:		
Cash Receipts	C-2	<u>449,841.96</u>
Balance, December 31, 2016 (Due From)	C	\$ <u><u>202.26</u></u>

"C-5"

SCHEDULE OF DUE FROM SCOTCH PLAINS - FANWOOD BOARD OF EDUCATION

Balance, December 31, 2015 and December 31, 2016	C	\$ <u><u>6,000.00</u></u>
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BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>REF.</u>		
Balance, December 31, 2015	C	\$	8,350,199.93
Increased by:			
General Improvement Bonds	C-11		<u>6,240,000.00</u>
			14,590,199.93
Decreased by:			
Bonds Paid by Budget	C-11	\$	605,000.00
Loan Paid by Budget	C-15		<u>62,233.34</u>
			<u>667,233.34</u>
Balance, December 31, 2016	C	\$	<u><u>13,922,966.59</u></u>

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE			UNEXPENDED	
			DECEMBER 31, 2016	EXPENDITURES	IMPROVEMENT AUTHORIZATIONS	
07-11/09-09	Various Capital Improvements	\$	221,963.00 \$		\$	221,963.00
10-04	Various Capital Improvements		319,625.00			319,625.00
11-08	Various Capital Improvements		253,915.00			253,915.00
13-12-S	Various Capital Improvements		145,000.00	70,577.10		74,422.90
14-06	Various Capital Improvements		32,650.00	17,146.08		15,503.92
15-04-S	Various Capital Improvements		60,000.00			60,000.00
15-08-S	Acquisition of Easement		2,517.23	2,517.23		
15-16-S	Improvements to Train Station		29,959.00			29,959.00
16-01-S	Various Capital Improvements		203,226.00			203,226.00
16-04-S	Various Capital Improvements		1,182,750.00	306,712.19		876,037.81
		\$	2,451,605.23 \$	396,952.60 \$		2,054,652.63
REF.		C		C-3		C-9

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2015	C	\$	81,718.72
Increased by:			
201\6 Appropriations	C-2		73,500.00
		\$	<u>155,218.72</u>
Decreased by:			
Appropriation to Finance Improvement Authorizations	C-9	\$	<u>88,000.00</u>
Balance, December 31, 2016	C	\$	<u><u>67,218.72</u></u>

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2015		2016 AUTHORIZATIONS	PAID OR CHARGED	IMPROVEMENT AUTHORIZATIONS CANCELED	BALANCE DECEMBER 31, 2016		
				FUNDED	UNFUNDED				FUNDED	UNFUNDED	
General Improvements:											
06-13/06-10	Various Capital Improvements	05/09/06	1,912,468.00 \$	62,625.24 \$	\$	\$	10,263.54 \$	\$	52,361.70 \$		
07-11/09-09	Various Capital Improvements	07/03/07	1,513,000.00	165,367.63	221,963.00		(7,969.08)		173,336.71	221,963.00	
07-21	Acquisition of Property	11/20/07	2,000,000.00		927.06				927.06		
10-04	Various Capital Improvements	06/07/10	2,050,000.00		467,226.11		95,092.72		52,508.39	319,625.00	
11-08	Various Capital Improvements	06/14/11	1,363,582.00		445,933.81		161,864.86		30,153.95	253,915.00	
12-07	Drainage Improvements	06/19/12	2,561,000.00	90,109.64			(20,841.74)	110,951.38			
12-11	Various Capital Improvements	08/21/12	1,680,000.00		43,934.17		13,099.88		30,834.29		
13-08-S	Site Remediation	05/21/13	350,000.00		43,108.21		832.26		42,275.95		
13-12-S	Various Capital Improvements	12/20/14	1,805,000.00		59,091.39		(15,331.51)			74,422.90	
14-06	Various Capital Improvements	09/16/14	982,650.00		100,513.25		85,009.33			15,503.92	
15-04-S	Various Capital Improvements	07/20/15	1,287,000.00		253,154.01		(8,151.75)		201,305.76	60,000.00	
15-08-S	Acquisition of Easement	05/18/15	100,000.00		22,534.88		52.11	22,482.77			
15-16-S	Improvements to Train Station	12/07/15	65,000.00	35,041.00	29,959.00		9,320.00		25,721.00	29,959.00	
15-17-S	Improvements to Forest Rd. Park	12/07/15	100,000.00	100,000.00			18,066.00		81,934.00		
16-01-S	Various Capital Improvements	03/07/16	965,000.00			965,000.00	105,022.38		656,751.62	203,226.00	
16-04-S	Various Capital Improvements	06/06/16	1,245,000.00			1,245,000.00	368,962.19			876,037.81	
			\$	453,143.51 \$	1,688,344.89 \$	2,210,000.00 \$	815,291.19 \$	133,434.15 \$	1,348,110.43 \$	2,054,652.63	
		REF.		C	C		C-10		C-C-3	C-C-7	
	Capital Improvement Fund	C-8			\$	88,000.00					
	Grants Receivable	C-13			485,000.00						
	Deferred Charges Unfunded				1,637,000.00						
					\$	2,210,000.00					
	Reserve to Debt Service	C-14			\$	38,543.38					
	Loan Receivable	C-16			72,408.00						
	Deferred Charges Unfunded				22,482.77						
					\$	133,434.15					

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF CONTRACTS PAYABLE

	<u>REF.</u>	
Balance December 31, 2015	C	\$ 1,085,648.33
Increased by:		
Contracts Issued-Improvement Authorizations	C-9	815,291.19
		\$ <u>1,900,939.52</u>
Decreased by:		
Cash Disbursements	C-2	<u>1,260,754.67</u>
Balance December 31, 2016	C	\$ <u><u>640,184.85</u></u>



BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

PURPOSE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2016		INTEREST RATE	BALANCE DECEMBER 31, 2015	INCREASED	DECREASED	BALANCE DECEMBER 31, 2016
			DATE	AMOUNT					
GENERAL IMPROVEMENTS	12/1/03	\$ 2,690,000.00	\$			\$ 250,000.00	\$	250,000.00	
GENERAL IMPROVEMENTS	7/15/16	6,240,000.00	7/15/17	250,000.00	2.000%				
			7/15/18	250,000.00	3.000%				
			7/15/19	250,000.00	3.000%				
			7/15/20	250,000.00	4.000%				
			7/15/21	250,000.00	3.000%				
			7/15/22	250,000.00	3.000%				
			7/15/23	250,000.00	3.000%				
			7/15/24	440,000.00	3.000%				
			7/15/25	450,000.00	2.000%				
			7/15/26	410,000.00	2.000%				
			7/15/27	425,000.00	2.000%				
			7/15/28	425,000.00	2.000%				
			7/15/29	430,000.00	2.000%				
			7/15/30	435,000.00	2.000%				
			7/15/31	475,000.00	2.125%				
			7/15/32	500,000.00	2.250%				
			7/15/33	500,000.00	2.250%			6,240,000.00	
GENERAL IMPROVEMENTS	7/15/08	3,200,000.00							
GENERAL IMPROVEMENTS	8/15/13	4,600,000.00	7/15/17	300,000.00	4.250%				
			7/15/18	300,000.00	4.250%				
			7/15/19	300,000.00	4.250%				
			7/15/20	300,000.00	4.250%				
			7/15/21	300,000.00	4.250%				
			7/15/22	350,000.00	4.350%				
			7/15/23	350,000.00	4.400%				
			8/15/17	165,000.00	3.125%				
			8/15/18	170,000.00	3.250%				
			8/15/19	170,000.00	3.250%				
			8/15/20	175,000.00	3.250%				
			8/15/21	180,000.00	3.250%				
			8/15/22	185,000.00	3.500%				
			8/15/23	195,000.00	3.500%				
			8/15/24	200,000.00	3.500%				
			8/15/25	205,000.00	3.500%				
			8/15/26	215,000.00	3.500%				
			8/15/27	220,000.00	3.625%				
			8/15/28	230,000.00	3.750%				
			8/15/29	240,000.00	4.000%				
			8/15/30	240,000.00	4.125%				
8/15/31	240,000.00	4.250%							
8/15/32	240,000.00	4.250%							
8/15/33	240,000.00	4.375%							
8/15/34	240,000.00	4.500%							
8/15/35	240,000.00	4.500%							
8/15/36	240,000.00	4.500%							
						4,360,000.00		130,000.00	4,230,000.00
						<u>\$ 7,085,000.00</u>	<u>\$ 6,240,000.00</u>	<u>\$ 605,000.00</u>	<u>\$ 12,720,000.00</u>
						C	C-6	C-6	C
						REF			

BOROUGH OF FANWOOD  
GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE NOTE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2016</u>
10-04	Various Capital Improvements	09/29/10	09/15/15	03/01/16	1.00%	\$ 546,400.00	\$	\$ 546,400.00	\$
10-04	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		510,634.00		510,634.00
11-08	Various Capital Improvements	04/17/12	09/15/15	03/01/16	1.00%	843,638.00			843,638.00
11-08	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		812,276.00		812,276.00
12-11	Various Capital Improvements	09/18/13	09/15/15	03/01/16	1.00%	1,403,755.00			1,403,755.00
12-11	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		1,391,066.00		1,391,066.00
13-08	Various Capital Improvements	09/16/14	09/15/15	03/01/16	1.00%	250,000.00			250,000.00
13-08	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		176,000.00		176,000.00
13-12	Various Capital Improvements	09/16/14	09/15/15	03/01/16	1.00%	1,250,000.00			1,250,000.00
13-12	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		1,375,000.00		1,375,000.00
14-06	Various Capital Improvements	09/16/14	09/15/15	03/01/16	1.00%	900,000.00			900,000.00
14-06	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		900,000.00		900,000.00
15-04	Various Capital Improvements	09/15/15	09/15/15	03/01/16	1.00%	425,000.00			425,000.00
15-04	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		675,000.00		675,000.00
15-08	Various Capital Improvements	09/15/15	09/15/15	03/01/16	1.00%	75,000.00			75,000.00
15-08	Various Capital Improvements	02/29/16	02/29/16	09/30/16	0.68%		75,000.00		75,000.00
						<u>\$ 5,693,793.00</u>	<u>\$ 5,914,976.00</u>	<u>\$ 11,608,769.00</u>	<u>\$</u>
						C	C-2		C-C-7

Cash Disbursements  
Notes Paid by Budget

REF.

C-2

\$ 11,454,952.00  
153,817.00

\$ 11,608,769.00

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF GRANTS RECEIVABLE

	<u>REF.</u>		
Balance, December 31, 2015	C	\$	247,807.58
Increased by:			
Grants Authorized	C-9		<u>485,000.00</u>
		\$	732,807.58
Decreased by:			
Cash Receipts	C-2	\$	92,500.00
Canceled			<u>75,000.00</u>
			<u>167,500.00</u>
Balance, December 31, 2016	C	\$	<u><u>565,307.58</u></u>

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE TO DEBT SERVICE

	<u>REF.</u>	
Balance, December 31, 2015	C	\$ 220,180.50
Increased by:		
Improvement Authorization Cancelled	C-9	38,543.38
		\$ <u>258,723.88</u>
Decreased by:		
Cash Disbursements	C-2	\$ <u>148,000.00</u>
Balance, December 31, 2016	C	\$ <u><u>110,723.88</u></u>

"C-15"

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF NJEIT LOAN PAYABLE

	<u>REF.</u>		
Balance, December 31, 2015	C	\$	1,265,199.93
Decreased by:			
Loan Paid by Budget	C-6		<u>62,233.34</u>
Balance, December 31, 2016	C	\$	<u><u>1,202,966.59</u></u>

"C-16"

SCHEDULE OF NJEIT LOAN PROCEEDS RECEIVABLE

Balance, December 31, 2015	C	\$	91,001.00
Decreased by:			
Cash Receipts	C-2	\$	18,593.00
Cancelled	C-9		<u>72,408.00</u>
		\$	<u><u>91,001.00</u></u>

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

		BALANCE	
		DECEMBER 31, 2016	
<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>CAPITAL FUND</u>	<u>TRUST FUND</u>
<u>NUMBER</u>			
General Improvements:			
07-11/09-09	Various Capital Improvements	\$ 221,963.00	\$
10-04	Various Capital Improvements	319,625.00	
11-08	Various Capital Improvements	253,915.00	
13-12-S	Various Capital Improvements	145,000.00	
14-06	Various Capital Improvements	32,650.00	
15-04-S	Various Capital Improvements	60,000.00	
15-08-S	Acquisition of Easement	2,517.23	
15-16-S	Improvements to Train Station	29,959.00	
16-01-S	Various Capital Improvements	203,226.00	
16-04-S	Various Capital Improvements	1,182,750.00	
Local Improvements:			
87-06	Install Curbing on Cray Terrace		318.56
		\$ 2,451,605.23	\$ 318.56

BOROUGH OF FANWOOD

PART II

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

SCHEDULES OF EXPENDITURES  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Borough of Fanwood, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated June 21, 2017. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Fanwood prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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



## SUPLEE, CLOONEY & COMPANY

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

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

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

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

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

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

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 419

June 21, 2017

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

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## BOROUGH OF FANWOOD

## SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2016

STATE GRANTOR/PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT PERIOD		GRANT AWARD AMOUNT	2016 FUNDS RECEIVED	2016 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2016
		FROM	TO				
DEPARTMENT OF COMMUNITY AFFAIRS							
Handicapped Persons Recreation Opportunity Grant (ROID)	8050-100-022-8050-035-F157-6120	01/01/15	12/31/16	\$ 20,000.00	\$ 4,533.89	\$ 8,482.18	\$ 8,482.18
Smart Growth Grant-TDR	8049-100-022-8049-006-FSMR-6120	02/14/05	12/14/05	40,000.00			40,000.00
Handicapped Persons Recreation Opportunity Grant (ROID)	8050-100-022-8050-035-F157-6120	01/01/14	12/31/15	20,000.00	20,000.00		19,878.68
Smart Future Planning Grant	8049-734-022-8049-001-F000-6120			49,978.00			49,978.00
					\$ 24,533.89	\$ 8,482.18	\$ 118,338.86
DEPARTMENT OF TREASURY							
State Contingency Fund Special Purpose-LaGrande Park	9420-100-094-9420-047-u999-6130	01/01/05	12/31/05	130,000.00	\$	\$	\$
Improvements to Carriage House	CDG 07-029	07/01/06	06/30/07	50,000.00			49,155.95
					\$	\$	\$ 49,155.95
DEPARTMENT OF ENVIRONMENTAL PROTECTION							
Clean Communities Program-Prior Year	4900-765-042-4900	Continuous		24,948.00	\$	\$ 7,597.48	\$ 13,560.03
Clean Communities Program	4900-765-042-4900	Continuous		15,648.38	15,648.38		
NJ Forestry Grant	4870-100-038-4870	Continuous		3,000.00	3,000.00		
Recycling Tonnage Grant-Prior Year	4900-752-042-4900	Continuous		29,792.35		14,902.55	11,818.28
Recycling Tonnage Grant	4900-752-042-4900	Continuous		11,289.93	11,289.93	1,248.47	1,248.47
					\$ 29,938.31	\$ 23,748.50	\$ 26,626.78
DEPARTMENT OF LAW AND PUBLIC SAFETY							
Drunk Driving Enforcement Fund-Prior	1110-100-066-1110	Continuous		9,175.06	\$	\$ 443.78	\$ 3,592.84
Drunk Driving Enforcement Fund	1110-100-066-1110	Continuous		1,947.89	1,947.89		
Domestic Preparedness Equipment Grant	1020-100-066-1020	01/01/04	12/31/04	21,499.20			21,499.20
Body Armor Replacement Fund-Prior	1020-718-066-1020	Continuous		19,390.92		2,655.00	8,567.57
Body Armor Replacement Fund	1020-718-066-1020	Continuous		1,863.38	1,863.38		
					\$ 3,811.27	\$ 3,098.78	\$ 33,659.61
					\$ 58,283.47	\$ 35,329.46	\$ 227,781.20

BOROUGH OF FANWOOD

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2016

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state financial awards of the Borough of Fanwood, County of Union, New Jersey. All federal and state financial awards received directly from federal or state agencies, as well as federal financial awards passed through other government agencies is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Borough's financial statements - statutory basis.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's statutory basis financial statements. These amounts are reported in the Current Fund, General Capital Fund, or Trust Other Fund. Reconciliations of revenues and expenses are presented on the following page.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS-REGULATORY BASIS (CONTINUED)

Revenues

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$	\$ 58,283.47	\$ 536,016.36	\$ 594,299.83
Trust Other Fund	11,960.00			11,960.00
General Capital Fund	<u>62,500.00</u>	<u></u>	<u></u>	<u>62,500.00</u>
	\$ <u>74,460.00</u>	\$ <u>58,283.47</u>	\$ <u>536,016.36</u>	<u>668,759.83</u>

Expenditures

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ 3,775.00	\$ 35,329.46	\$ 354,980.63	\$ 394,085.09
Trust Other Fund	6,856.06			6,856.06
General Capital Fund	<u>168,900.00</u>	<u></u>	<u></u>	<u>168,900.00</u>
	\$ <u>179,531.06</u>	\$ <u>35,329.46</u>	\$ <u>354,980.63</u>	<u>569,841.15</u>

NOTE 5. OTHER

Matching contributions expended by the Borough in accordance with terms of the various grants are not reported in the accompanying schedule.

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PART III

BOROUGH OF FANWOOD

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

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

	YEAR 2016		YEAR 2015	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 784,200.00	2.21%	\$ 690,000.00	2.01%
Miscellaneous From Other Than Local Property				
Tax Levies	2,938,208.05	8.28%	3,319,775.93	9.66%
Collection of Delinquent Taxes and Tax Title Liens	162,169.64	0.46%	208,858.68	0.61%
Collection of Current Tax Levy	31,602,498.08	89.05%	30,164,874.16	87.73%
<u>Total Income</u>	<u>\$ 35,487,075.77</u>	<u>100.00%</u>	<u>\$ 34,383,508.77</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures	\$ 9,827,457.50	28.32%	\$ 9,956,203.06	29.43%
County Taxes	6,219,011.94	17.92%	5,883,736.88	17.39%
Regional High School Taxes	18,554,568.00	53.47%	17,957,715.50	53.09%
Miscellaneous	97,075.39	0.28%	28,448.26	0.08%
<u>Total Expenditures</u>	<u>\$ 34,698,112.83</u>	<u>100.00%</u>	<u>\$ 33,826,103.70</u>	<u>100.00%</u>
Excess in Revenue	\$ 788,962.94		\$ 557,405.07	
Adjustment to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budgets of Succeeding Years	150,000.00		12,500.00	
Statutory Excess to Fund Balance	\$ 938,962.94		\$ 307,526.12	
Fund Balance, January 1	1,012,427.70		1,132,522.63	
	<u>\$ 1,951,390.64</u>		<u>\$ 1,440,048.75</u>	
Less: Utilization as Anticipated Revenue	784,200.00		690,000.00	
Fund Balance, December 31	<u>\$ 1,167,190.64</u>		<u>\$ 1,012,427.70</u>	



### COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>13.813</u>	<u>13.242</u>	<u>13.097</u>
Apportionment of Tax Rate:			
Municipal	2.617	2.626	2.592
Municipal Library	0.166	0.160	0.159
County	2.707	2.566	2.513
Local School	8.323	7.890	7.833

### ASSESSED VALUATIONS

2016	<u>\$229,253,309.00</u>		
2015		<u>\$228,374,604.00</u>	
2014			<u>\$228,374,604.00</u>

### COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>YEAR</u>	<u>TAX LEVY</u>	<u>CURRENTLY</u>	
		<u>CASH</u> <u>COLLECTION</u>	<u>PERCENTAGE OF</u> <u>COLLECTIONS</u>
2016	\$31,741,435.15	\$31,602,498.08	99.56%
2015	\$30,359,402.63	\$30,164,874.16	99.36%
2014	\$29,958,863.75	\$29,721,987.38	99.21%

### 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>
2016	\$26,174.95	\$106,002.02	\$132,176.97	0.42%
2015	\$25,069.83	\$162,169.64	\$187,239.47	0.62%
2014	\$20,128.80	\$208,858.68	\$228,987.48	0.76%

### PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2016	\$12,279.00
2015	\$12,279.00
2014	\$12,279.00

### COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
Current Fund	2016	\$1,164,690.64	\$750,000.00
	2015	\$1,005,532.74	\$784,200.00
	2014	\$1,132,522.63	\$690,000.00
	2013	\$971,600.44	\$515,433.00
	2012	\$691,473.58	\$215,000.00

## OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT</u>
Colleen Mahr	Mayor	*
Russell Huegel	Councilman	*
Jack Molenaar	Councilman	*
Katherine Mitchell	Councilwoman	*
Tom Kranz	Councilman	*
Erin McElroy Barker	Councilwoman	*
Kevin Boris	Councilman	*
Eleanor McGovern	Borough Clerk/Administrator	*
Frederick J. Tomkins	Chief Financial Officer	*
Patricia Celardo	Assistant Treasurer	*
Colleen Huehn	Tax Collector	*
Michael Ross	Tax Assessor	*
Peter Bodnar	Borough Engineer	*
Daniel McCarthy	Borough Attorney	*
Daniel Antonelli	Prosecutor	*
Susan Macmullan	Magistrate	*
Joy Veeck	Court Administrator	*
Doreen Tofolo	Deputy Court Administrator	*
Richard Trigo	Chief Of Police	*
Bruce Helmstetter	Construction Code Official	*

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

All Bonds were examined and properly executed

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COMMENTS AND RECOMMENDATIONS

## GENERAL COMMENTS

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

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c.198 (C.40A:11-3), except by contract or agreement.

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

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 (\$40,000 after October 17, 2016) within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

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

- Purchase generator and installation
- Purchase source capture exhaust removal system
- Road Improvements

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed. Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold for the performance of any work or the furnishing or hiring of any materials or supplies, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

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

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

## GENERAL COMMENTS (CONTINUED)

### COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

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

The governing body on August 15, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

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

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

### VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

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

#### TYPE

Payments of 2017 Taxes	25
Payments of 2016 Taxes	25
Delinquent Taxes	25

## GENERAL COMMENTS (CONTINUED)

### TAX TITLE LIENS

The last tax sale was held on July 21, 2016 and was complete.

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

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

<u>YEARS</u>	<u>NUMBER OF LIENS</u>
2016	1
2015	1
2014	2

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

### OTHER COMMENTS

#### Interfund Balances

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

#### Encumbrance System

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

#### General Ledger

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



## RECOMMENDATIONS

\*That funds be encumbered prior to ordering of goods and services and all vouchers contain the required support documentation and approvals prior to their payments.

\*That the Current Fund General Ledger be accurately maintained.

\*Prior Year Recommendations



