



**TOWN OF MORRISTOWN
MORRIS COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2013**

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**TOWN OF MORRISTOWN
MORRIS COUNTY, NEW JERSEY**

PART I

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2013**

Independent Auditors' Report

The Honorable and Members of
the Town Council
Town of Morristown
County of Morris
Morristown, New Jersey

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the various funds of the Town of Morristown, Morris County, New Jersey (the "Town") as of and for the years ended December 31, 2013 and 2012, the statements of revenues, expenditures and changes in fund balances for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the Town's basic 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 accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States; and audit requirements as prescribed by the Division. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Management has prepared the financial statements in conformity with accounting practices prescribed by the Division, which 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. These practices differ in certain respects, which in some instances may be material, from accounting principles generally accepted in the United States of America applicable to local government units. The more significant of these practices are described in Note 1 to the financial statements.

Qualified Opinion

In our opinion, because of the Town's policy to prepare its financial statements on the basis of accounting discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town as of December 31, 2013 or the results of its operations for the year then ended

Unmodified Opinion

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the respective financial position of the various funds of the Town of Morristown, Morris County, New Jersey, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles and practices prescribed by the Division, as described in Note 1 to the financial statements.

Other Matters

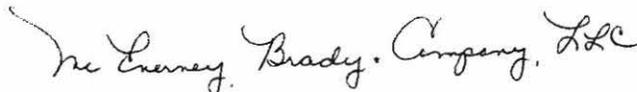
Other Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise Town's basic financial statements. The accompanying supplementary sections and schedules of expenditures of federal and state awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey State Office of Management and Budget Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

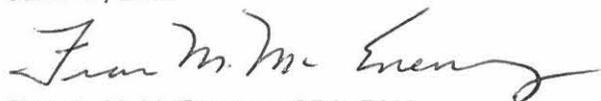
The information included in the supplemental sections and schedules of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 sections and schedules of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic 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 27, 2014 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



Livingston, New Jersey
June 27, 2014



Francis M. McEnerney, CPA, RMA
Licensed Registered Municipal Accountant #539

TOWN OF MORRISTOWN
CURRENT FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2013 AND 2012

A
Sheet # 1

ASSETS	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
OPERATING FUND			
Cash and Cash Equivalents - Treasurer	A-4	\$ 11,076,507	\$ 11,461,934
Cash - Change Funds	A-5	250	250
Due from State Senior Citizen and Veterans	A-6		858
		<u>11,076,757</u>	<u>11,463,042</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-8	3,046,017	3,061,473
Special Improvement District Taxes Receivable	A-9	9,173	6,254
Tax Tile Lien Receivable	A-10	84,680	71,034
Demolition Liens	A-11	2,946	2,946
Property Acquired for Taxes - Assessed Valuation	A-12	2,193,200	1,551,200
Revenue Accounts Receivable	A-13	66,736	42,846
Due from Southeast Morris County MUA	A-15	1,920,000	1,950,000
Due from State - Other	A-29	4,525	4,525
Due from Animal Control Fund	A-17	20	
Due from General Capital	A-17	967	288,272
Due from Airport Capital Fund	A-17		235,171
Due from Airport Operating Fund	A-17		59,541
Due from Self Insurance	A-17		37,997
Due from Grant Fund	A-17a	57	
		<u>7,328,321</u>	<u>7,311,259</u>
Deferred Charges	A-22		279,100
			<u>279,100</u>
Total Regular Fund		<u>18,405,078</u>	<u>19,053,401</u>
GRANT FUND			
Cash	A-4	106,661	123,021
Grant Receivable	A-30	1,316,183	870,263
Due from Current Fund	A-31		21,034
		<u>1,422,844</u>	<u>1,014,318</u>
Total		<u>\$ 19,827,922</u>	<u>\$ 20,067,719</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

COMPARTIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2013 AND 2012

A
Sheet # 2

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	A-3,A-14	\$ 999,387	\$ 1,399,347
Encumbrances Payable	A-16	720,955	549,833
Accounts Payable	A-18	17,033	66,851
Prepaid Taxes	A-21	292,913	252,818
Tax Overpayments	A-23	177,596	328,005
Special Improvement District Tax Overpayments	A-24	2,262	11,550
Special Improvement District Taxes Payable	A-25	86,446	65,517
County Taxes Payable	A-19		1,338
Regional School Taxes Payable	A-20	188,758	74,168
Due to State	A-7	2,142	
Due to Grant Fund	A-17		21,034
Due Dog Fund	A-17		1,893
Due to Trust Other	A-17	635	137,950
Due to Trust Equitable Sharing	A-17		248,239
Due to Redevelopment Agency	A-28	2,188	2,188
Tax Anticipation Notes	A-26	3,500,000	4,500,000
Miscellaneous Reserves	A-27		47,788
		<u>5,990,315</u>	<u>7,708,519</u>
Reserve for Receivables and Other Assets		7,328,321	7,311,259
Fund Balance	A-1	<u>5,086,442</u>	<u>4,033,623</u>
Total Regular Fund		<u>18,405,078</u>	<u>19,053,401</u>
GRANT FUND			
Encumbrances Payable	A-32	5,150	76,089
Due to Current Fund	A-31	57	
Due to General Capital	Unchanged	100,000	100,000
Reserve for Appropriated Grants	A-33	1,312,537	838,129
Reserve for Unappropriated Grants	A-34	5,100	100
Total Grant Fund		<u>1,422,844</u>	<u>1,014,318</u>
Total		<u>\$ 19,827,922</u>	<u>\$ 20,067,719</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2013 AND 2012

A-1

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 2,000,000	\$ 1,460,000
Miscellaneous Revenue Anticipated	A-2	13,963,452	11,515,433
Delinquent Taxes	A-2	487,534	427,089
Current Taxes	A-2	56,559,080	57,561,659
Non-Budget Revenue	A-2	523,671	3,428,300
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	137,832	290,796
Cancelation of Miscellaneous Reserves	A-27	14,364	
Cancelation of Accounts Payable	A-18	66,851	
Interfunds Returned	A-17	892,020	
Cancelation of Special District Taxes			66,927
Tax Overpayments Canceled			496,179
Cancelation of Encumbrances	A-16	32,645	17,184
Total Revenues		<u>74,677,449</u>	<u>75,263,567</u>
Expenditures:			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	13,534,351	13,525,890
Other Expenses	A-3	15,530,845	13,446,789
Capital Improvements	A-3	180,000	45,000
Municipal Debt Service	A-3	5,028,365	5,779,324
Deferred Charges and Statutory Expenditures	A-3	3,409,186	3,468,860
Transferred to Regional School Board of Education	A-3	187,159	188,326
County Taxes	A-19	6,236,316	6,426,458
County Open Space Taxes	A-19	290,414	421,443
Due County - Added Taxes	A-19	17,782	1,338
Regional School Taxes	A-20	27,210,212	27,623,755
Prior Year's Revenue - Equitable Sharing			70,204
Interfunds Created			607,692
Total Expenditures		<u>71,624,630</u>	<u>71,605,079</u>
Excess in Revenues		3,052,819	3,658,488
Add: Expenditures Included above Which are by Statute			
Deferred Charges to Succeeding Years Budget	A-3		279,100
Statutory Excess in Fund Balance		3,052,819	3,937,588
Fund Balance, Beginning of Year	A-1	4,033,623	1,556,035
		7,086,442	5,493,623
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	2,000,000	1,460,000
Fund Balance, End of Year	A	<u>\$ 5,086,442</u>	<u>\$ 4,033,623</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

A-2
Sheet # 1

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 2,000,000	\$	\$ 2,000,000	\$
Miscellaneous Revenues					
Licenses:					
Alcoholic Beverages	A-13	91,000		91,250	250
Other	A-13	126,000		134,445	8,445
Fees and Permits	A-13	418,000		467,682	49,682
Municipal Court - Fines and Costs	A-13	848,000		930,665	82,665
Annual Fee S.M.C.M.U.A.	A-15	30,000		30,000	
Swimming Pool Fees	A-13	135,000		151,814	16,814
Lease Agreement - S.D.C.	A-13	495,500		541,544	46,044
Cablevision Fees	A-13	173,000		173,000	
Cablevision Fees - Additional	A-13	67,000		69,676	2,676
Energy Receipts Tax	A-13	2,739,864		2,739,864	
Consolidated Municipal Property Tax Relief Aid	A-13	128,735		128,735	
Uniform Construction Code Fees	A-13	830,000		1,281,683	451,683
Animal Control Agreements	A-13	6,750		7,412	662
NJ DEP - Green Acres- Early Street	A-30	487,500		487,500	
Drunk Driving	A-30	48,915		48,915	
Safe Routes to School Program	A-30	120,000		120,000	
Local Aid - Corey Road	A-30	75,918		75,918	
Morris County Open Space - Early Street	A-30	1,575,000		1,575,000	
Pocahontas Dam Seepage Control	A-30		80,000	80,000	
NJDOT Streetscape	A-30		250,000	250,000	
Clean Communities	A-30		29,546	29,546	
Alcohol Rehabilitation	A-30		2,955	2,955	
2013 Body Armor	A-30		6,437	6,437	
Recycling Tonnage Grant	A-30		36,324	36,324	
Interest & Costs on Taxes	A-13	139,000		146,110	7,110
Utility Operating Surplus - Airport Utility	A-13	204,000		204,000	
Rental of Property - Leases	A-13	228,000		219,156	(8,844)
Police Outside Duty - Administration Fees	A-13	105,000		86,166	(18,834)
Contribution from Sewer Utility for Indirect Costs	A-13	131,000		131,000	
Hotel/Motel Tax	A-13	357,000		496,508	139,508
Uniform Fire Safety Act	A-13	50,000		42,064	(7,936)
Rent Leveling Registration	A-13	63,000		78,630	15,630
Fire Bureau EMS Revenue Recovery	A-13	67,000		99,453	32,453
Anticipated Sewer Utility Operating Surplus	A-13	3,000,000		3,000,000	
 Total Miscellaneous Revenues	 A-1	 \$ 12,740,182	 \$ 405,262	 \$ 13,963,452	 \$ 818,008

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

A-2
Sheet # 2

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1,A-8	\$ 427,000	\$	\$ 487,532	\$ 60,532
		<u>15,167,182</u>	<u>405,262</u>	<u>16,450,984</u>	<u>878,540</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	<u>23,195,594</u>	<u> </u>	<u>23,656,701</u>	<u>461,107</u>
Budget Revenues	A-3	<u>\$ 38,362,776</u>	<u>\$ 405,262</u>	40,107,685	<u>\$ 1,339,647</u>
Non-Budget Revenues	A-2			<u>-</u>	
				<u>\$ 40,107,685</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

A-2
Sheet # 3

	<u>Ref.</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collection		
Revenue from Collection	A-1,A-8	\$ 56,559,080
Allocated to Regional School and County Taxes	A-19,A-20	<u>33,754,724</u>
		22,804,356
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>852,345</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 23,656,701</u></u>
Miscellaneous Revenue Not Anticipated		
Premium on Note Sale		\$ 23,627
PhotoStats, Duplicate Bills etc.		1,250
Prior Year Refunds		1,263
FEMA Recovery		205,347
Public Works - Recycling		40,026
Payment in Lieu of Taxes		185,657
Interest on Deposits		7,485
Other		<u>59,016</u>
	A-1, A-4	<u><u>\$ 523,671</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

A-3
Sheet # 1

	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	Over- Expenditures
GENERAL APPROPRIATIONS						
OPERATIONS WITHIN "CAPS"						
Department of Administration						
Town Clerk						
Salaries and Wages	\$ 353,660	\$ 353,660	\$ 353,025	\$ 635	\$	\$
Other Expenses	40,359	40,359	39,081	1,278		
Business Administrator						
Salaries and Wages	273,100	273,100	271,000	2,100		
Other Expenses	47,250	47,250	23,653	23,597		
Senior Citizens						
Salaries and Wages	15,810	15,810	15,435	375		
Other Expenses	4,900	4,900	4,537	363		
Purchasing						
Other Expenses	216,200	216,200	212,569	3,631		
Department of Public Safety						
Police						
Salaries and Wages	5,099,596	5,099,596	5,099,596			
Other Expenses	171,500	171,500	158,528	12,972		
Fire						
Salaries and Wages	2,831,130	2,831,130	2,828,920	2,210		
Other Expenses	191,905	191,905	187,551	4,354		
Fire Truck Lease	58,000	58,000	57,627	373		
Emergency Management Services						
Salaries and Wages	8,000	8,000	7,999	1		
Other Expenses	10,000	10,000	6,141	3,859		
Treasurer						
Salaries and Wages	228,530	232,530	232,138	392		
Other Expenses	111,665	111,665	108,747	2,918		
Tax Collector						
Salaries and Wages	174,550	174,550	174,550			
Other Expenses	27,465	27,465	23,411	4,054		
Tax Assessor						
Salaries and Wages	102,400	102,400	99,450	2,950		
Other Expenses	274,650	274,650	274,100	550		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

A-3
Sheet # 2

	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	Over- Expenditures
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Code Enforcement						
Salaries and Wages	\$ 85,000	\$ 85,000	\$ 66,365	\$ 18,635	\$	\$
Other Expenses	5,000	5,000	2,255	2,745		
Department of Public Health						
Salaries and Wages	247,190	247,190	243,746	3,444		
Other Expenses	17,260	17,260	15,048	2,212		
Rent Leveling						
Salaries and Wages	72,670	72,670	72,670			
Other Expenses	1,820	1,820	1,569	251		
Animal Control						
Salaries and Wages	48,361	48,361	46,267	2,094		
Other Expenses	7,550	7,550	6,223	1,327		
Property Maintenance						
Salaries and Wages	279,011	279,011	239,387	39,624		
Other Expenses	7,335	7,335	6,323	1,012		
Zoning						
Salaries and Wages	191,990	191,990	168,379	23,611		
Other Expenses	12,212	12,212	10,482	1,730		
Department of Public Works						
Public Works						
Salaries and Wages	1,790,990	1,790,990	1,790,990			
Other Expenses	1,298,728	1,298,728	1,294,536	4,192		
Recycling						
Salaries and Wages	70,520	70,520	70,276	244		
Other Expenses	1,114,400	1,114,400	1,053,610	60,790		
Bus Transportation						
Salaries and Wages	20,690	20,690	20,690			
Other Expenses	3,000	3,000	3,000			
Planning						
Salaries and Wages	8,500	8,500	7,617	883		
Other Expenses	170,000	170,000	149,764	20,236		
Engineering Services and Costs						
Salaries and Wages	227,650	227,650	227,637	13		
Other Expenses	17,730	17,730	11,978	5,752		
Recreation						
Salaries and Wages	122,363	131,863	130,946	917		
Other Expenses	36,960	36,960	34,473	2,487		
Burnham/Caudwell Pools						
Salaries and Wages	111,640	111,640	111,603	37		
Other Expenses	56,435	56,435	55,947	488		
Non-Departmental Appropriations						
Legal						
Salaries and Wages	99,440	99,440	99,440			
Other Expenses	250,000	234,500	146,948	87,552		
Municipal Prosecutor						
Other Expenses	60,000	60,000	60,000			
Insurance						
Other Expenses	763,926	763,926	692,588	71,338		
Group Hospitalization						
Other Expenses	4,853,613	4,853,613	4,513,676	339,937		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

A-3
Sheet # 3

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>	<u>Over- Expenditures</u>
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Ambulance Squad						
Other Expenses	\$ 60,000	\$ 60,000	\$ 60,000	\$	\$	\$
Memorial and Veterans Day Association						
Other Expenses	1,400	1,400	1,400			
Project Community Pride						
Other Expenses	24,800	24,800	24,800			
Teen Center						
Other Expenses	33,700	33,700	33,700			
Municipal Alliance						
Other Expenses	11,500	11,500	7,773	3,727		
Morris County Tourist Bureau						
Other Expenses	20,000	20,000	20,000			
Whippany River Coalition						
Other Expenses	1,200	1,200	1,200			
Morristown Partnership						
Other Expenses	10,000	10,000	10,000			
Maintenance of the Green						
Other Expenses	20,000	20,000	20,000			
Shade Tree Commission						
Other Expenses	1,000	1,000	400	600		
Historical Commission						
Other Expenses	1,000	1,000	50	950		
Environmental Commission						
Other Expenses	1,000	1,000	350	650		
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
Salaries and Wages	571,880	571,880	519,406	52,474		
Other Expenses	233,410	233,410	230,935	2,475		
Municipal Court						
Salaries and Wages	486,180	486,180	474,988	11,192		
Other Expenses	37,530	37,530	30,865	6,665		
Public Defender						
Other Expenses	30,000	30,000	19,600	10,400		
Unclassified						
Reserve for Retirement and Sick Pay	100,000	100,000	100,000			
Reserve for Salary Increase	275,000	275,000	275,000			
Total Operation Within "CAPS"	24,212,254	24,210,254	23,362,959	847,295		
Contingent	5,000	5,000	4,920	80		
Total Operation Including Contingent Within "CAPS"	24,217,254	24,215,254	23,367,879	847,375		
Detail:						
Salaries and Wages	13,520,851	13,534,351	13,372,520	161,831		
Other Expenses	10,696,403	10,680,903	9,995,359	685,544		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013

A-3
Sheet # 4

	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	Over- Expenditures
GENERAL APPROPRIATIONS (Continued)						
DEFERRED CHARGES & STATUTORY EXPENDITURES						
Statutory Expenditures - Contributions to:						
Social Security System (O.A.S.I.) (Emergency)	\$ 645,000	\$ 645,000	\$ 514,127	\$ 130,873	\$	\$
Public Employees Retirement System	675,951	675,951	675,945	6		
Police and Firemen's Retirement System of N.J.	1,909,021	1,909,021	1,909,021			
Consolidated Police and Firemen's Pension Fund	24,291	24,291	24,291			
DCRP	5,800	7,800	6,702	1,098		
Total Deferred charges & Statutory Expenditures	3,260,063	3,262,063	3,130,086	131,977		
Total General Appropriations for Municipal Purposes Within "CAPS"	27,477,317	27,477,317	26,497,965	979,352		
OPERATIONS - EXCLUDED FROM "CAPS"						
Free Public Library						
Direct Aid						
Other Expenses	868,145	868,145	868,145			
Reserve for Tax Appeals	750,000	750,000	750,000			
Interlocal Municipal Services Agreement						
Morris County Radio Dispatch	360,475	360,475	360,475			
Animal Control Services - Harding Twp	6,750	6,750	6,750			
Public and Private Programs Offset by Revenues						
NJ DEP - Green Acres- Early Street	487,500	487,500	487,500			
Drunk Driving	48,915	48,915	48,915			
Safe Routes to School Program	120,000	120,000	120,000			
Local Aid - Corey Road	75,918	75,918	75,918			
Morris County Open Space - Early Street	1,575,000	1,575,000	1,575,000			
Pocahontas Dam Seepage Control -159		80,000	80,000			
NJDOT Streetscape - 159		250,000	250,000			
Clean Communities - 159		29,546	29,546			
Alcohol Rehabilitation - 159		2,955	2,955			
Recycling - 159		36,324	36,324			
2013 Body Armor - 159		6,437	6,437			
Grant Matching Funds	20,000	20,000		20,000		
Total Operations - Excluded from "CAPS"	4,312,703	4,717,965	4,697,965	20,000		
Detail:						
Salaries and Wages	13,520,851	13,534,351	13,372,520	161,831		
Other Expenses	15,009,106	15,398,868	14,693,324	705,544		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

A-3
Sheet # 5

	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	Over- Expenditures
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	\$ 140,000	\$ 140,000	\$ 140,000	\$	\$	\$
Computer/Office Equipment	40,000	40,000	39,965	35		
Total Capital Improvements	<u>180,000</u>	<u>180,000</u>	<u>179,965</u>	<u>35</u>		
MUNICIPAL DEBT SERVICE						
Payment of Bond Principal	3,828,329	3,828,329	3,828,329			
Payment on Bond Anticipation Notes and Capital Notes	184,739	184,739	184,739			
Interest on Bonds	931,084	931,084	931,084			
Interest on Notes	130,000	130,000	84,213		45,787	
Total Municipal Debt Service	<u>5,074,152</u>	<u>5,074,152</u>	<u>5,028,365</u>		<u>45,787</u>	
DEFERRED CHARGE:						
Hurricane Sandy	279,100	279,100	279,100			
TRANSFERRED TO BOARD OF EDUCATION FOR USE OF LOCAL SCHOOLS (N.J.S.A. 40:48-17.1 & 17.3)						
	<u>187,159</u>	<u>187,159</u>	<u>187,159</u>			
Total Appropriations Excluded from "CAPS"	<u>10,033,114</u>	<u>10,438,376</u>	<u>10,372,554</u>	<u>20,035</u>	<u>45,787</u>	
Sub-Total General Appropriations	37,510,431	37,915,693	36,870,519	999,387	45,787	
RESERVE FOR UNCOLLECTED TAXES	<u>852,345</u>	<u>852,345</u>	<u>852,345</u>			
Total General Appropriations	<u>\$ 38,362,776</u>	<u>\$ 38,768,038</u>	<u>\$ 37,722,864</u>	<u>\$ 999,387</u>	<u>\$ 45,787</u>	<u>\$</u>

	Ref.	A-2	A
Budget	A-2	\$ 38,362,776	
Appropriation by 40A:4-87	A-2	<u>405,262</u>	
		<u>\$ 38,768,038</u>	
Cash Disbursed	A-4		\$ 32,083,534
Reserve for Uncollected Taxes	A-2		852,345
Deferred Charge - Emergency	A-22		279,100
Capital Improvement Fund	A-17		140,000
Transferred to Board of Education	A-20		187,159
Encumbrances Payable	A-16		718,131
Due to Grant Fund	A-33		2,712,595
Reserve for Tax Appeals	A-23		750,000
			<u>\$ 37,722,864</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
TRUST FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2013 AND 2012

B

ASSETS	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
ANIMAL CONTROL FUND			
Cash	B-1	\$ 50,629	\$ 39,190
Due from Current Fund	B-4		1,893
		<u>50,629</u>	<u>41,083</u>
OTHER TRUST FUND			
Cash	B-1	3,897,332	3,278,591
Due from Restitution Receivable	B-1	3,150	5,350
Due from Current Fund	B-9		137,950
Due from General Capital Fund	B-14		15,000
		<u>3,900,482</u>	<u>3,436,891</u>
EQUITABLE SHARING FUND			
Cash	B-1	25,930	
Due from Current Fund	B-16		248,239
		<u>25,930</u>	<u>248,239</u>
SELF INSURANCE FUND			
Cash	B-1	507,950	628,991
		<u>\$ 4,484,991</u>	<u>\$ 4,355,204</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-2	\$ 4	\$ 14
Due to Current Fund	B-4	20	
Reserve for Animal Control Expenditures	B-3	50,605	41,069
		<u>50,629</u>	<u>41,083</u>
OTHER TRUST FUND			
Reserve for Police Forfeiture	B-5	30,662	27,376
Reserve for Unemployment Compensation	B-6	131,891	140,886
Reserve for Affordable Housing	B-7	921,093	916,948
Escrow Deposits Payable	B-8	1,047,593	1,177,226
Reserve for Recreation Programs	B-11	54,306	58,329
Miscellaneous Reserves and Deposits	B-12	1,464,595	929,605
Payroll Deductions Payable	B-13	249,707	186,521
Due to Current Fund	B-9	635	
		<u>3,900,482</u>	<u>3,436,891</u>
EQUITABLE SHARING FUND			
Encumbrances	B-17	25,135	
Reserve for Equitable Sharing	B-17	795	248,239
		<u>25,930</u>	
SELF INSURANCE FUND			
Reserve for Self Insurance Expenditures	B-10	507,950	590,994
Due to Current Fund	B-15		37,997
		<u>507,950</u>	<u>628,991</u>
		<u>\$ 4,484,991</u>	<u>\$ 4,355,204</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2013 AND 2012

C

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash and Cash Equivalents	C-2	\$ 1,992,018	\$ 3,310,546
Grants Receivable	C-4	125,884	125,884
Interfund - Grant Fund		100,000	100,000
Deferred Charges to Future Taxation:			
Funded	C-6	18,689,144	22,517,473
Unfunded	C-7	<u>9,344,509</u>	<u>8,391,168</u>
 Total Assets		 <u>\$ 30,251,555</u>	 <u>\$ 34,445,071</u>
 LIABILITIES AND FUND BALANCE			
General Serial Bonds	C-11	\$ 18,689,144	\$ 22,517,473
Bond Anticipation Notes	C-10	9,344,509	8,391,168
Capital Improvement Fund	C-15	66,365	98,036
Improvement Authorizations:			
Funded	C-8	574,119	1,052,546
Unfunded	C-8	1,039,236	1,793,921
Contracts Payable	C-9	229,625	39,659
Reserve for Refunding Bond Insurance Costs	C-12	15,201	15,201
Reserve for Pay Debt Service	C-13	506	506
Reserve for Future Improvements	C-14	47,596	47,596
Interfund - Current	C-16	967	288,272
Interfund - Trust	C-5		15,000
Fund Balance	C-1	<u>244,287</u>	<u>185,693</u>
 Total Liabilities and Fund Balance		 <u>\$ 30,251,555</u>	 <u>\$ 34,445,071</u>
 Bonds and Notes Authorized But Not Issued	 C-17	 <u>\$</u>	 <u>\$</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

CHANGES IN FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

C-1

	<u>Ref.</u>	
Balance, December 31, 2012	C	\$ 185,693
Increased by:		
Premium on Bond Anticipation Notes Sales	C-2	<u>58,594</u>
Balance, December 31, 2013	C	<u>\$ 244,287</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2013 AND 2012

D
Sheet # 1

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 619,738	\$ 483,518
Due from Sewer Capital Fund	D-11	1,062	
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	289,358	343,441
Deferred Charge - Emergency	D-4	<u> </u>	<u>143,700</u>
Total Operating Fund		<u>910,158</u>	<u>970,659</u>
CAPITAL FUND			
Cash	D-5	2,306,919	2,213,299
Due from Sewer Operating Fund	D-11		80,386
Fixed Capital	D-7	68,586,889	68,586,889
Fixed Capital Authorized and Uncompleted	D-8	<u>10,181,465</u>	<u>9,168,465</u>
Total Capital Fund		<u>81,075,273</u>	<u>80,049,039</u>
		<u>\$ 81,985,431</u>	<u>\$ 81,019,698</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2013 AND 2012

D
Sheet # 2

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-9	\$ 57,700	\$ 178,165
Encumbrances Payable	D-10	46,421	75,460
Due to Sewer Capital	D-11		80,386
Overpayments	D-12	32,332	32,383
Accrued Interest on Bonds and Notes	D-13	225,266	236,798
		<u>361,719</u>	<u>603,192</u>
Reserve for Receivables	D	289,358	343,441
Fund Balance	D-1	259,081	24,026
		<u>910,158</u>	<u>970,659</u>
CAPITAL FUND			
Serial Bonds	D-17	9,695,850	11,042,522
Bond Anticipation Notes	D-18	6,322,018	6,725,018
Improvements Authorizations			
Funded	D-22	946,795	10,972
Unfunded	D-22	1,713,594	1,068,879
Contracts Payable	D-19	131,209	1,907,546
Reserve for Sewer Connection Fees	D-16	324,801	108,420
Reserve for Amortization	D-20	60,306,042	57,543,370
Deferred Reserve for Amortization	D-21	1,526,763	1,526,763
Capital Improvement Fund	D-14	62,000	62,000
Interfund Payable - Operating Fund	D-11	1,062	
Fund Balance	D-2	45,139	53,549
		<u>81,075,273</u>	<u>80,049,039</u>
		<u>\$ 81,985,431</u>	<u>\$ 81,019,698</u>
Bonds and Notes Authorized But Not Issued	D-23	<u>\$ 1,410,697</u>	<u>\$ 1,410,697</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2013 AND 2012

D-1

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	\$ 10,000	\$ 325,000
Sewer Rents	D-3	8,026,359	8,008,554
Capital Fund Balance	D-3	53,549	
Miscellaneous Revenue Anticipated	D-3	450,770	447,377
Miscellaneous Revenue Not Anticipated	D-3	17,023	
Other Credits to Income			
Encumbrances Cancelled	D-10	16,738	
Unexpended Balance of Appropriation Reserves	D-9	118,086	
		<u>8,692,525</u>	<u>8,780,931</u>
EXPENDITURES			
Operating	D-4	1,910,978	1,912,296
Capital Improvements	D-4	1,013,000	
Debt Service	D-4	2,316,776	4,510,104
Deferred Charges and Statutory Expenditures	D-4	206,716	56,000
		<u>5,447,470</u>	<u>6,478,400</u>
Excess in Revenue		3,245,055	2,302,531
Add: Expenditures Included Above Which by Statute are Deferred Charges to Succeeding Years		<u>3,245,055</u>	<u>143,700</u> 2,446,231
Adjustments to Income Before Fund Balance			
Anticipated Surplus Appropriated to Current Fund Budget	D-4	<u>3,000,000</u>	<u>2,435,000</u>
Statutory Excess to Fund Balance		245,055	11,231
Fund Balance, Beginning of Year	D	<u>24,026</u>	<u>337,795</u>
		269,081	349,026
Decreased by:			
Utilization by Sewer Operating Budget	D-1, D-3	<u>10,000</u>	<u>325,000</u>
Fund Balance, End of Year	D	<u>\$ 259,081</u>	<u>\$ 24,026</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CHANGES IN FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

D-2

	<u>Ref.</u>	
Balance, December 31, 2012	D	\$ 53,549
Increased by:		
Premium on Sale of Bond Anticipation Note	D-5	45,139
		<u>98,688</u>
Decreased:		
Anticipated Revenue to Sewer Operating Fund	D-11	53,549
Balance, December 31, 2013	D	<u><u>\$ 45,139</u></u>

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

D-3

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 10,000	\$ 10,000	\$
Sewer User Fees	D-1, D-6	8,008,000	8,026,359	18,359
Capital Fund Balance	D-1, D-11	53,549	53,549	
Miscellaneous				
Sale of SREC's	D-1, D-5	36,000	83,842	47,842
Late Fees	D-1, D-5	35,000	35,280	280
Sewer Connection Fees	D-1, D-5	<u>331,645</u>	<u>331,645</u>	
	D-4	<u><u>\$ 8,474,194</u></u>	<u><u>\$ 8,540,675</u></u>	<u><u>\$ 66,481</u></u>
Due from Water Capital - Interest	D-11		10,073	
Interest on Investments	D-5		6,950	
	D-1		<u><u>\$ 17,023</u></u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

D-4

	Appropriated		Expended		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATING					
Salaries and Wage	\$ 722,338	\$ 722,338	\$ 722,303	\$ 35	\$
Other Expenses	616,175	616,175	558,510	57,665	
Other Sewer Expenses	572,465	572,465	572,465		
Total Operating	<u>1,910,978</u>	<u>1,910,978</u>	<u>1,853,278</u>	<u>57,700</u>	
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	1,013,000	1,013,000	1,013,000		
DEBT SERVICE					
Payment on Bond Principal	1,350,000	1,350,000	1,346,672		3,328
Payment on Note Principal	403,500	403,500	403,000		500
Interest on Bonds	480,000	480,000	480,000		
Interest on Notes	110,000	110,000	87,104		22,896
Total Debt Service	<u>2,343,500</u>	<u>2,343,500</u>	<u>2,316,776</u>		<u>26,724</u>
DEFERRED CHARGES					
Emergency - Sandy	143,700	143,700	143,700		
STATUTORY EXEPNDITURES					
Social Security System (O.A.S.I)	63,016	63,016	63,016		
Surplus (General Budget)	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>		
	<u>\$ 8,474,194</u>	<u>\$ 8,474,194</u>	<u>\$ 8,389,770</u>	<u>\$ 57,700</u>	<u>\$ 26,724</u>

<u>Ref.</u>	D-3	D	D-1
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Cash Disbursements	D-5	\$ 4,501,545
Encumbrances Payable	D-10	46,421
Deferred Charge	A	143,700
Accrued Interest on Bonds and Notes	D-13	567,104
Due to Current Fund	D-15	<u>3,131,000</u>
		<u>\$ 8,389,770</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2013 AND 2012

E

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash - Treasurer	E-5	\$ 35,863	\$ 95,730
Cash - Petty Cash Fund	E	50	50
Due from Airport Capital	E-20	93	
		<hr/>	<hr/>
Total Operating Fund		36,006	95,780
		<hr/>	<hr/>
CAPITAL FUND			
Cash	E-5	2,083	215,396
Fixed Capital	E-7	61,499,606	54,206,479
Fixed Capital Authorized and Uncompleted	E-8	1,118,840	7,293,126
Due from FAA	E-9	1,369,565	2,684,161
Due from State of New Jersey	E-10	111,968	156,981
Due from Lessee	E-11		24,871
		<hr/>	<hr/>
Total Capital Fund		64,102,062	64,581,015
		<hr/>	<hr/>
Total Assets		<u>\$ 64,138,068</u>	<u>\$ 64,811,255</u>
		<hr/>	<hr/>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-4, E-12	\$ 5,000	\$ 5,000
Due to Current Fund	E-19		59,540
		<hr/>	<hr/>
Fund Balance	E-1	31,006	31,240
Total Operating Fund		36,006	95,780
		<hr/>	<hr/>
CAPITAL FUND			
Improvement Authorizations:			
Funded	E-13	100,147	830,850
Contracts Payable	E-16	1,183,986	1,908,660
Due to Operating	E-20	93	
Due to Current Fund	E-18		235,171
Due to Lessee	E-11	92,662	
Reserve for Future Improvements	E-17	106,517	106,517
Reserve for Amortization	E-14	61,499,606	54,206,479
Deferred Reserve for Amortization	E-15	1,118,840	7,293,127
Fund Balance	E-2	211	211
		<hr/>	<hr/>
Total Capital Fund		64,102,062	64,581,015
		<hr/>	<hr/>
Total Liabilities, Reserves and Fund Balance		<u>\$ 64,138,068</u>	<u>\$ 64,811,255</u>
		<hr/>	<hr/>

There were no bonds and notes authorized but not issued on December 31, 2013 and 2012.

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE
OPERATING FUND
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2013 AND 2012

E-1

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Revenue and Other Income Realized			
Fund Balance Utilized	E-3	\$ 20,000	\$ 10,000
Lease Rentals	E-3	202,528	189,080
Non-Budget Revenue	E-3	1,145	1
Other Credits to Income:			
Unexpended Balance of Appropriation	E-12	5,000	5,000
 Total Revenues		<u>228,673</u>	<u>204,081</u>
 Expenditures			
Budget Appropriations			
Surplus Anticipated by Current Fund	E-4	204,000	194,000
Operating	E-4	5,000	5,000
 Total Expenditures		<u>209,000</u>	<u>199,000</u>
 Excess of Revenue		19,673	5,081
 Adjustments to Income before Fund Balance:			
Anticipated Surplus Appropriated to Current Fund Budget		<u> </u>	<u> </u>
 Statutory Excess to Fund Balance		19,673	5,081
 Fund Balance, Beginning of Year	E	<u>31,240</u>	<u>36,159</u>
		50,913	41,240
Utilized as Anticipated Revenue	E-1,E-3	<u>20,000</u>	<u>10,000</u>
 Fund Balance, End of Year	E	<u>\$ 30,913</u>	<u>\$ 31,240</u>

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
AIRPORT UTILITY CAPITAL FUND
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2013 AND 2012

E-2

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Balance, Beginning of Year	E	<u>\$ 211</u>	<u>\$ 211</u>
Balance, End of Year	E	<u>\$ 211</u>	<u>\$ 211</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF REVENUES
OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

E-3

	<u>Ref.</u>	<u>Anticipated Budget Revenues</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	E-1	\$ 20,000	\$ 20,000	\$
Lease Rentals	E-1	189,000	202,528	13,528
		<u>\$ 209,000</u>	<u>\$ 222,528</u>	<u>\$ 13,528</u>
Non Budget Revenues:				
Interest Due from Capital	E-20		\$ 93	
Interest on Investments	E-5		1,145	
	E-1		<u>\$ 1,238</u>	

STATEMENT OF EXPENDITURES
AIRPORT UTILITY OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

E-4

	<u>Appropriation</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Changed</u>	<u>Reserved</u>	
Operating					
Other Expenses	\$ 5,000	\$ 5,000	\$	\$ 5,000	\$
Surplus Current Fund Budget	<u>204,000</u>	<u>204,000</u>	<u>204,000</u>		
	<u>\$ 209,000</u>	<u>\$ 209,000</u>	<u>\$ 204,000</u>	<u>\$ 5,000</u>	<u>\$</u>
<u>Ref.</u>	E-3		E-19	E	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2013 AND 2012

F

	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 88,388,489	\$ 86,253,278
Building and Building Improvements	15,840,292	16,424,253
Construction in Progress	1,025,567	145,288
Machinery and Equipment	<u>11,520,759</u>	<u>11,370,857</u>
	<u>\$ 116,775,107</u>	<u>\$ 114,193,676</u>
 Investment in Fixed Assets	 <u>\$ 116,775,107</u>	 <u>\$ 114,193,676</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Morristown, Morris County, New Jersey (the "Town") was incorporated in 1865 and operates under an elected Mayor/Council form of government. The Town's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

The Governmental Accounting Standards Board and subsequent Codification (collectively, "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting standards to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

The financial statements of the Town have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), which is a regulatory basis of accounting other than GAAP. 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 Town accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Town in that the Town approves the budget, the issuance of debt or the levying of taxes. The Town is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Town do not include the Morristown Public Library, Morristown Parking Authority or Redevelopment Agency, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

The Town uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Town functions or activities. The Town also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those funds.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Measurements Focus, Basis of Accounting and Basis of Presentation

The Town has the following funds and account groups:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds – Trust funds are used to account for assets held by the government in a trustee capacity. Funds held by the Town as an agent for individuals, private organizations, or other governments are recorded in Trust Funds.

Animal Control Fund – This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by N.J.S.A. 4:19-15.11.

Other Trust Fund – This fund is established to account for the assets and resources, which are held by the Town as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Town as collateral.

Self – Insurance Fund – This fund is used to account for the resources and expenditures for workmen's compensation, auto, general liability, self-insurance claims and premiums.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund – This fund is used to account for the revenues and expenditures for operation of the Town's sanitary sewerage system and the assets and liabilities related to such activities. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

Airport Utility Fund – This fund is used to account for the revenues and expenditures for operation of the Town's airport utility and the assets and liabilities related to such activities. Acquisition or improvement of capital facilities and other capital assets for the airport utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group – This account group is used to account for all general fixed assets of the Town, other than those accounted for in the Sewer and Airport Utility Funds. The Town's infrastructure is not reported in the account group.

Basis of Accounting

The Town follows a modified accrual basis of accounting. Under this method of accounting, revenues, except for Federal and State Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from GAAP applicable to local government units.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

The more significant differences are as follows:

Property Tax Revenues – Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The School levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Town. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Town also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the 11th month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Town may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Town's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Sewer Utility Rents - Utility charges are levied quarterly based upon a consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Town's Sewer Utility Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, (i.e. when they are both levied and available)

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received, for purposes normally financed through the Current Fund, are recognized when anticipated in the Town's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Town and approved by the Division per N.J.S.A. 40A:4 et seq.

The Town is not required to adopt budgets for the following funds:

- Trust Funds
- General Capital Fund
- Sewer Utility Capital Fund
- Airport Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than the last day in February of the fiscal year. The budget is required to be adopted no later than April 20, and prior to adoption, must be certified by the Division. The Director of the Division, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. In addition, the governing body approved several budget transfers during 2013.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31 are reported as expenditures through the establishment of appropriation reserves, unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31 are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Appropriation Reserves - Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Operating Deficits - Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year, are recorded as deferred charges on the balance sheet of the respective operating fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of operating deficits at year end.

TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to N.J.S.A. 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Property Acquired for Taxes - Property acquired for taxes 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 as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfund Receivables - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The Town has not created a reserve for any potential unreported self-insurance losses which may have taken place. Additionally, the Town has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, the Town has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Town as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks are not capitalized.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Fixed Assets purchased after December 31, 1999 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1999 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Costs

No depreciation has been provided for 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.

Accounting for Utility Fund "fixed capital" remains unchanged under N.J.A.C. 5:30-5.6.

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

GAAP requires that capital assets be recorded in proprietary-type funds, as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Basic Financial Statements

GASB also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Town presents the financial statements listed in the table of contents, which are required by the Division, to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

2. DEPOSITS AND INVESTMENTS

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

Deposits

The Town's deposits are insured through either the Federal Deposit Insurance Corporation ("FDIC"), Securities Investor Protection Corporation ("SIPC") or New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). The Town is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for a temporary period ending December 31, 2013. At December 31, 2013, the book value of the Town's deposits was \$20,796,849. The Town's deposits, which are displayed on the various fund balance Sheet as "cash and cash equivalents", are categorized as:

Depository Account

Insured	\$ 3,346,364
Uninsured and Collateralized	<u>17,453,485</u>
	<u>\$ 20,796,849</u>

Investments

The Town is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:515.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Town or bonds or other obligations of the School Districts which are a part of the Town or School Districts located within the Town, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e).

As of December 31, 2013, the Town had no investments.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Funds is assigned to the Utility Operating Funds in accordance with the regulatory basis of accounting.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

3. TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2013 consist of the following:

	<u>Current</u>	<u>Sewer Utility</u>
Property Taxes	\$ 3,046,017	\$
Special Improvement District Tax	9,173	
Tax Title Liens	84,680	
Utility Rents	<u> </u>	<u>289,358</u>
	<u>\$ 3,139,870</u>	<u>\$ 289,358</u>

In 2013, the Town collected \$487,534 from delinquent taxes, \$606,567 from special improvement district taxes and \$8,026,359 from sewer charges.

4. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both General Capital and Utility Funds. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Town are general obligation bonds, backed by the full faith and credit of the Town. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Town's debt as of December 31, 2013 is summarized as follows:

Issued	
General	
Bond and Notes	\$ 28,033,653
Sewer Utility	
Bonds, Notes and Loans	<u>16,017,868</u>
Net Debt Issued	44,051,521
Authorized But Not Issued	
Sewer Utility	
Bonds and Notes	<u>1,410,697</u>
Net Bonds and Notes Issued and Authorized Not Issued	<u>\$ 45,462,218</u>

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The statement of debt condition that follows is extracted from the Town's Annual Debt Statement and indicates a statutory net debt of 1.139 at December 31, 2013.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 28,033,653	\$	\$ 28,033,653
School Debt	1,446,773	1,446,773	
Utility Debt	17,428,566	15,477,403	1,951,163
Parking Authority Debt	35,200,000	35,200,000	
Total	<u>\$ 82,108,992</u>	<u>\$ 52,124,176</u>	<u>\$ 29,984,816</u>

The Town's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2013 as follows:

3-1/2% of Equalized Valuation Basis (Municipal)	\$ 92,213,356
Net Debt	<u>29,984,816</u>
Remaining Statutory Borrowing Power	<u>\$ 62,228,540</u>

The Sewer Utility is self liquidating; the amount shown in net debt was calculated at the inception of the Utility and is being amortized.

General Obligation Bonds

The Town levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2013 are as follows:

\$7,961,260, (\$18,450,000 combined issue), 2005 Refunding Bonds, due in annual installments of \$638,537 to \$874,447 through August 2019, interest at 6.40% to 6.50%	\$ 4,567,263
\$10,183,00, 2007 General Bonds, due in annual installments of \$1,250,000 to \$1,308,000 through September 2019, interest at 3.75%	7,583,000
\$6,168,818, (\$22,320,000 combined issue), 2007 Refunding Bonds, due in annual installments of \$125,901 to \$466,577 through February 2015, interest at 5.45%	592,478
\$1,150,000, 2009 Refunding Bonds, due in annual installments of \$220,000 to \$235,000 through March 2023, interest at 4.00% to 5.00%	1,150,000
\$1,500,630, 2011 Refunding Bonds, due in annual installments of \$239,260 to \$255,104 through March 2018, interest at 2.00% to 4.00%	1,226,403
\$4,845,000, 2012 Refunding Bonds, due in annual installments of \$1,165,000 to \$1,210,000 through 2016, interest at 3.0%	<u>3,570,000</u>
	<u>\$ 18,689,144</u>

**TOWN OF MORRISTOWN
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Utility Bonds

The Town pledges revenue from operations to pay debt service on utility bonds issued. The utility bonds outstanding at December 31, 2013 are as follows:

Sewer Utility

\$6,843,105, (\$12,655,000 combined issue), 2005 Refunding Bonds, due in annual installments of \$396,863 to \$515,550 through August 2019, interest at 6.40% to 6.50%	\$ 2,692,732
\$1,152,000, 2007 Sewer Bonds, due in annual installments of \$157,000 to \$160,000 through September 2019, interest at 3.75%	957,000
\$2,861,182, (\$22,320,000 combined issue) 2007 Refunding Bonds, due in annual installments of \$44,099 to \$163,422 through February 2015, interest at 5.45%	207,521
\$2,475,000, 2009 Refunding Bonds, due in annual installments of \$490,000 to \$505,000 through March 2023, interest at 4.00% to 5.00%	2,475,000
\$3,234,370, 2011A Refunding Bonds, due in annual installments of \$515,740 to \$549,895 through March 2018, interest at 2.00% to 4.00%	2,643,597
\$820,000, 2011B Refunding Bonds, due in annual installment of \$65,000 to \$85,000 through March 2022, interest at 2.00% to 4.00%	<u>720,000</u>
	<u>\$ 9,695,850</u>

The Town's principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Calendar Year	<u>General</u>		<u>Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 3,854,818	\$ 776,612	\$ 1,355,180	\$ 426,869	\$ 6,413,479
2015	3,527,406	628,152	1,242,596	374,149	5,772,303
2016	3,396,620	489,077	1,203,379	321,393	5,410,469
2017	2,261,491	368,225	1,218,508	265,869	4,114,093
2018	2,316,362	262,848	1,228,637	209,317	4,017,164
2019-2023	3,332,447	244,378	3,447,550	352,982	7,377,357
	<u>\$ 18,689,144</u>	<u>\$ 2,769,292</u>	<u>\$ 9,685,850</u>	<u>\$ 1,950,579</u>	<u>\$ 33,274,865</u>

**TOWN OF MORRISTOWN
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Changes in Long-Term Municipal Debt

The Town's long-term capital debt activity for 2013 is as follows:

	Balance, December 31, <u>2012</u>	<u>Increases</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	<u>Due Within One Year</u>
General Capital Fund					
Bonds Payable	\$ 22,517,473	\$	\$ 3,828,329	\$ 18,689,144	\$ 3,854,818
Sewer Utility Capital Fund					
Bond Payable	\$ 11,042,522	\$	\$ 1,346,672	\$ 9,695,850	\$ 1,355,180

Short-Term Debt

The Town's short-term capital debt activity for 2013 is as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 8,391,168	\$ 9,529,248	\$ 8,575,907	\$ 9,344,509
Sewer Utility Capital Fund	6,725,018	6,357,000	6,760,000	6,322,018
Total	<u>\$15,116,186</u>	<u>\$15,886,248</u>	<u>\$ 15,335,907</u>	<u>\$15,666,527</u>

In addition to the debt shown in the above schedule, municipalities may issue debt to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt, which is not included in the Town's statutory debt limit calculation, is reported in the Current Fund for 2013 as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>
Tax Anticipation Notes	<u>\$ 4,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 3,500,000</u>

**TOWN OF MORRISTOWN
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5. FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2013:

	Balance December 31, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2013</u>
Land and Land Improvements	\$ 85,253,278	\$ 2,439,835	\$ 304,624	\$ 88,388,489
Buildings and Building Improvements	16,424,253	248,052	832,013	15,840,292
Construction in Progress	145,288	880,279		1,025,567
Machinery and Equipment	11,370,857	203,926	54,024	11,520,759
	<u>\$114,193,676</u>	<u>\$ 3,772,092</u>	<u>\$ 1,190,661</u>	<u>\$116,775,107</u>

Utility Fund Fixed Assets

The following is a summary of changes in the Utility Fund fixed assets as of December 31, 2013:

	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31 <u>2013</u>
Sewer Utility Fund				
Fixed Capital Treatment Facility, Sewerage System and System Improvements	\$ 68,485,507	\$	\$	\$ 68,485,507
Vehicle and Equipment	101,382			101,382
	<u>\$ 68,586,889</u>	<u>\$</u>	<u>\$</u>	<u>\$ 68,586,889</u>
Fixed Capital Authorized and Uncompleted – Sewer Improvement	<u>\$ 9,168,465</u>	<u>\$ 1,013,000</u>	<u>\$</u>	<u>\$ 10,181,465</u>
Airport Utility Fund				
Fixed Capital Airport Facilities and Improvements	\$ 53,178,765	\$ 7,293,127	\$	\$ 61,499,606
Vehicle and Equipment	1,027,714			1,027,714
	<u>\$ 54,206,479</u>	<u>\$7,293,127</u>	<u>\$</u>	<u>\$ 62,527,320</u>
Fixed Capital Authorized and Uncompleted – Airport Facilities and Improvements	<u>\$ 7,293,126</u>	<u>\$ 1,118,840</u>	<u>\$ 7,293,126</u>	<u>\$ 1,118,840</u>

**TOWN OF MORRISTOWN
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6. DUE TO/FROM OTHER FUNDS

As of December 31, 2013, interfund receivables and payables that resulted from various interfund transactions are as follows:

	Due From Other <u>Funds</u>	Due To Other <u>Funds</u>
Current Fund:		
Regular	\$ 1,044	\$ 635
Grant		100,057
Trust Fund:		
Animal Control Fund		20
Other Trust	635	
General Capital Fund	100,000	967
Water Utility:		
Water Operating	1,062	
Water Capital		1,062
Airport Utility:		
Airport Operating	93	
Airport Capital		93
	<u> </u>	<u> </u>
Total	<u>\$ 102,834</u>	<u>\$ 102,834</u>

The above balances are the result of expenditures being paid by one fund on behalf of another. The Town expects all interfund balances to be liquidated within one year.

7. FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Funds are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services, if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year, were as follows:

	Fund Balance December <u>31, 2013</u>	Utilized in Subsequent Year's <u>Budget</u>
Current Fund		
Cash Surplus	<u>\$ 5,086,442</u>	<u>\$1,700,000</u>
Sewer Utility Operating Fund		
Cash Surplus	<u>\$ 259,081</u>	<u>\$</u>
Airport Utility Operating Fund		
Cash Surplus	<u>\$ 31,006</u>	<u>\$ 20,000</u>

The above fund balance amounts utilized represents the surplus anticipated in the 2014 municipal budget.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
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8. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, there were no deferred charges reported on the balance sheets of the current and sewer operating funds.

9. COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Town, employees are allowed to accumulate, with certain restrictions, unused vacation benefits, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$2,040,113 at December 31, 2013. This estimate by management is unaudited.

As of December 31, 2013, the Town has reserved \$56,739 to fund compensated absences in accordance with N.J.S.A. 40A:4-39.

10. EMPLOYEE RETIREMENT SYSTEMS

Description of Systems

Substantially all of the Town's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State Statute: the Public Employees' Retirement System ("PERS") or the Police and Firemen's Pension Fund ("PFRS"). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The PERS and the PFRS are considered cost sharing multiple-employer plans.

Public Employees Retirement System

PERS was established January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide coverage, including postretirement health care, to substantially all full-time employees of the State or any County, Municipality, School district or public agency, provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service and 25 years for health care coverage.

Tier 1 Members (members enrolled prior to July 1, 2007) are eligible for retirement at age 60 with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under 60 with 25 or more years of credited service. Members who retire early and are under age 55 receive retirement benefits as calculated in the above mentioned formula, but at a reduced rate ($1/4$ of 1% for each month the member lacks of attaining age 55).

Tier 2 Members (members enrolled July 1, 2007 to November 2, 2008) are eligible for retirement at age 66 with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members who retire early and are under age 60 receive retirement benefits as calculated in the above mentioned formula, but at a reduced rate ($1/12^{\text{th}}$ of 1% each month the member lacks attaining age 60, but over age 55 and $1/4$ of 1% for each month the member lacks of attaining age 55).

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Chapter 89, P.L. 2008, established a minimum base salary of \$7,700 per year to be eligible for enrollment in Tier 3 of the PERS (members enrolled on or after November 2, 2008 and prior to May 21, 2010) and are eligible for retirement at age 62 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 62 with 25 or more years of credited service. Members who retire early and are under age 62 receive retirement benefits as calculated in the above mentioned formula, but at a reduced rate (1/12 of 1% for each month the member lacks of attaining age 62 but over age 55 and 1/4 of 1% for each month the member lacks of attaining age 55).

Chapter 1, P.L. 2010, requires a minimum of 32 hours per week to be eligible to enroll in Tier 4 of PERS (members enrolled after May 21, 2010) and are eligible for retirement at age 62 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under 62 with 25 or more years of credited service. Members who retire early and are under age 62, receive retirement benefits as calculated in the above mentioned formula, but at a reduced rate (1/12 of 1% for each month the member lacks of attaining age 62 but over age 55 and 1/4 of 1% for each month the member lacks of attaining age 55). Chapter 1, P.L. 2010 imposes maximum compensation limits for PERS pension contributions for those who become members after May 21, 2010. For 2012, that amount is \$106,800.00. Any members hired after May 21, 2010 whose annual maximum compensation will be reached in any year, become a participant of the Defined Contribution Retirement Program ("DCRP") with regard to the remaining compensation, unless the member irrevocably elects to waive participation in the DCRP. For the amount of compensation in excess of the maximum compensation, 5.5 % will be deducted as a contribution for the purposes of the DCRP. The Township will be responsible for the DCRP's matching 3 contribution.

Tier 5 became effective as of June 28, 2011 and requires a minimum of 32 hours per week for local and school employees and 35 hours per week for state employees. Employees who do not work the minimum hours of work but earn over \$5,000 may participate in the Defined Contribution Retirement Plan. PERS salary limited to Social Security maximum wage, minimum age to retire is 65 and the annual retirement benefit equals years of service divided by the average of last five years salary. Additional requirements and limitations apply for early retirements and veteran retirements.

Police and Firemen's Retirement System

PFRS was established July 1, 1944 under the provisions of N.J.S.A. 43:16A, to provide coverage to substantially all full-time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service. Chapter 1, P.L. 2010 imposes a maximum compensation limit for officers who become members after May 21, 2010. For 2012, that amount is \$106,800.00. Any member hired after May 21, 2010 whose annual maximum compensation is reached in any year will become a participant of the DCRP with regard to the remaining compensation, unless the member irrevocably elects to waive participation in the DCRP. For the amount of compensation in excess of the maximum compensation, 5.5% will be deducted as a contribution for the purposes of the DCRP. The Township will be responsible for the DCRP's matching 3% contribution. Tier 5 requirements for PFRS enrollers after June 28, 2011 are the same as those under PERS.

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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. Prudential is acting on behalf of the NJ Division of Pensions and Benefits as the record keeper and investment funds manager. Chapter 1, P.L. 2010 increased the minimum annual salary required for eligibility in the DCRP. An employee must earn an annual salary of at least \$5,000 to be eligible or to continue participation.

Consolidated Police and Firemen's Pension Fund

The Consolidated Police and Firemen's Pension Fund ("CPFPPF") is a defined benefit pension fund established in 1952 to replace, on an actuarial basis, 212 local police and firemen pension funds. The CPFPPF membership is limited to policemen and firemen appointed prior to July 1, 1944. The liabilities of these funds were shared by two-thirds of the participating municipalities and one-third by the State. The CPFPPF Board of Trustees has the responsibility for the proper administration of the retirement system.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund ("SACT"), which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or Local governmental employers do not appropriate funds to SACT.

The State also administers the Pensions Adjustment Fund ("PAF"), which provides cost of living increases equal to 60% of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems, which includes the CPFPPF. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

According to State law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pension.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

**TOWN OF MORRISTOWN
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The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.5% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

Annual Pension Cost ("APC")

In accordance with the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for CPFPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. However, due to the enactment of P.L. 2010, c.19, the Town opted to contribute a PFRS and PERS amount that reflected a 50% reduction of the normal and accrued liability component of the PFRS and PERS obligations due in the year ended December 31, 2009.

Beginning in 2012, the unpaid amount of \$225,870 for PFRS and \$801,887 for PERS will be paid with interest over a 15 year period. The Town is allowed to payoff the unpaid pension obligations at any time. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employee contribution.

During the years ended December 31, 2013, 2012, and 2011, the Town, except for the amounts deferred during the year ended December 31, 2011, was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>CPFPE</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2013	\$24,291	\$1,909,021	\$675,945	\$6,702
2012	26,403	1,954,798	754,111	5,269
2011	22,124	2,278,712	783,074	

**TOWN OF MORRISTOWN
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11. HEALTH BENEFITS

P.L. 2011 Ch. 78, Section 39, established guidelines for implementing employee contributions to the cost of their health insurance coverage.

The benefit cost of coverage is the monthly premiums charged for eligible employees. For State Health Benefit Plan ("SHBP") employers, the cost of coverage is the cost of medical and prescription coverage. For non-SHBP employers, the law requires that the cost of coverage includes all health care benefits; medical, prescription, dental, vision etc.

The base salary of the employees determines the percent of premium cost that is contributed.

The contribution is phased in at 25% per year:

- a) For employees hired on June 28, 2011 and not subject to Collective Negotiations Agreement ("CNA") that is in effect, contributions are effective upon date of hire.
- b) When a CNA that was in effect on June 28, 2011 expires or is in almost anyway modified;

Full contribution (Year 4) takes effect immediately for employees hired after June 28, 2011, who are not covered by a CNA or would be covered by a CNA that has expired.

When contributions begin, if the 1.5% of base salary calculation under Ch. 2 is greater than the standard contribution, that amount is paid until the new contribution percentage is greater.

12. POST-RETIREMENT HEALTH COVERAGE

Plan Description

The Town provides a post-employment healthcare plan (the "Plan") for its eligible retirees and their dependents. The Plan is a single-employer defined healthcare plan administered by the Town. In accordance with Town employment contracts and personnel policies, the Town provides post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at the same cost to the retiree as there would be, if any, if they remained an employee. Coverage for a retiree's spouse and/or dependents ends upon the death of the retiree. Members of the Police Benevolent Association ("PBA") and Firefighters Mutual Benevolent Association ("FMBA") who have at least 15 years of services with the Town at the time of retirement are eligible for employer provided post-retirement health coverage. Members of the Morristown Employees Association ("MEA") and Local 255 who have at least 25 years of service with the Town at the time of retirement or who retire on disability with at least 15 years of service with the Town, are eligible for employer provided post-retirement health coverage.

Funding Policy

The Town funds its post-retirement health coverage on a pay-as-you-go basis. For the years 2013, 2012 and 2011, the Town paid \$2,351,856 \$2,579,297 and \$2,249,016, respectively, for post-retirement health coverage premiums for eligible retirees and their dependents.

Annual OPEB Cost and Net OPEB Obligation

Division of Local Government Services, State of New Jersey, Local Finance Notice 2009-13R requires an actuarial calculation every two years.

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The following information is required to be updated every two years. The information stated below is for the 2012 fiscal year.

The Town's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Town's annual OPEB cost for 2012, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation to the Plan:

Annual Required Contribution	\$ 4,197,700
Interest on Net OPEB Obligation	<u>29,000</u>
Annual OPEB Cost (Expense)	4,226,700
Contributions Made	<u>1,448,000</u>
Increase in Net OPEB Obligation	2,778,700
Net OPEB Obligation – Beginning of Year	<u>10,153,900</u>
Net OPEB Obligation – End of Year	<u>\$12,932,600</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years 2012 and 2010 were as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2012	\$4,226,700	34.3%	\$12,932,600
2010	4,496,340	30.4%	6,367,282

Information for the year ended December 31, 2011 is unavailable.

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$58,209,600 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability ("UAAL") of \$58,209,600. An actuarial valuation was not required as of December 31, 2013.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

In the December 31, 2012 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expense), which is a blended rate of the expected long-term investment returns on Plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and for healthcare benefits an annual healthcare cost trend rate of 7.5% initially, reduced by increments to an ultimate rate of 5% after 6 years. For prescription drug benefits, the initial trend rate is 8.5% for current retirees and 9% for future retirees, decreasing to 5% long-term trend rate after eight years for current retirees and nine year for future retirees. For dental benefits, the initial trend is 5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 25 years.

13. RISK MANAGEMENT

The Town is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, termination of employees and natural disasters. The Town has obtained commercial insurance coverage to minimize the exposure to the Town, should they occur.

The Town is a member of the Garden State Municipal Joint Insurance Fund ("GSMJIF"). This joint insurance fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The GSMJIF is a risk-sharing public entity pool. The coverage amounts are on file with the Town.

The relationship between the Town and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Town is contractually obligated to make all annual and supplementary contributions to the GSMJIF, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The GSMJIF provides its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

On January 1, 1999, the Town established a workmen's compensation plan for its employees, an auto liability plan and a general liability plan, including police professional liability. The Town funded the entire cost of these plans. Claims were paid directly by the plan, up to a maximum for anyone accident or occurrence, with any excess benefit being reimbursed through Re-Insurance Agreements as follows:

<u>Plan</u>	<u>Maximum Per Accident or Occurrence</u>	<u>Re-Insurance Agreement</u>
Workmen's Compensation	\$250,000	Reliance National Insurance Company
Auto Liability	100,000	General Security Reporting And Casualty Insurance Company
General Liability	100,000	General Security Reporting And Casualty Insurance Company

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

The Town is liable for any claims prior to January 1, 1999. In addition, a contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the Town under existing Re-Insurance Agreements. The Town has not created a liability for loss reserves for claims incurred which were unpaid at December 31, 2013. In addition, the Town has not created a liability for reserves for any potential unreported losses which have taken place, but in which the Town has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is assumed to be material. As of December 31, 2013, the Town has \$507,950 in the Self-Insurance Trust Fund to provide funding for any potential liabilities for claims incurred during the period when they were self-insured.

There has been no significant reduction in insurance coverage from the previous year, nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Town has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this method, the Town 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 Town is billed quarterly for amounts due to the State. The following is a summary of Town contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Town's Unemployment Compensation Trust Fund for the current and previous two years:

<u>Year Ended December 31</u>	<u>Town Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	None	None	\$ 8,995	\$ 131,891
2012	120,000	None	95,328	127,437
2011	111,000	None	66,284	102,765

14. CONTINGENT LIABILITIES

The Town is involved in various claims and lawsuits incidental to its operations. In the opinion of management and legal counsel the ultimate resolution of these matters will not have a material effect on the financial position of the Town.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013. Amounts claimed have not yet been determined. The Town is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division, the Town does not recognize a liability, if any, until these cases have been adjudicated. The Town expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Town participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate granting agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the granting agency.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Guaranteed Debt - Morristown Parking Authority - The Speedwell Avenue Urban Renewal Project (the "Project"), created in order to finance the costs of construction of a parking garage, was authorized as a general improvement in accordance with the Housing and Redevelopment Cooperation Law, N.J.S.A. 55:14B-1et seq., the Redevelopment Agencies Law, N.J.S.A.40:55C-1et seq., and the Local Bond Law, N.J.S.A.40A:2-1et seq. Prior to adopting the bond ordinance, the Town was required to obtain the approval of the Local Finance Board for an extension of credit to finance the garage; since the Town's net debt exceeded the statutory limitation allowed under N.J.S.A.40A:2-6. The Board, in approving the Town's application for an extension of credit, indicated that it was satisfied that the Project would generate revenues in an amount equal to or exceeding the annual debt service requirements of the obligations incurred for financing the parking garage.

In May 2002, the Morristown Parking Authority sold \$4,860,000 Guaranteed Parking Revenue Bonds, Series 2002, dated May 1, 2002. These bonds were used to refund the outstanding Guaranteed Parking Revenue Bonds, Series 1997 on August 1, 2002. Under a Replenishment Agreement, the Town is required to take such actions as necessary to assure that the amounts required to meet the Debt Service Reserve Fund Requirement will be available on the Bond Payment Date. Such actions may include, but not be limited to, the adoption of an emergency appropriation, the levy of ad valorem taxes upon all taxable real property located within the Town, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirement of such Replenishment Agreement. The bonds mature annually from 2003 to 2015 at interest rates ranging from 3.50% to 4.45%.

In February 2004, the Morristown Parking Authority sold \$10,025,000 Guaranteed Parking Revenue Bonds, Series 2004, dated February 15, 2004. These bonds were used for advance refunding of the outstanding Guaranteed Parking Revenue Bonds - Series 1998, which were redeemed in full on August 1, 2005. Under a Replenishment Agreement, the Town is required to take such actions as necessary to assure that the amounts required to meet the Debt Service Reserve Fund Requirement will be available on the Bond Payment Date. Such actions may include, but not be limited to, the adoption of an emergency appropriation, the levy of ad valorem taxes upon all taxable real property located within the Town, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirement of such Replenishment Agreement. The bonds mature annually from 2004 to 2025 at interest rates ranging from 2.50% to 4.40%.

In July 2007, the Morristown Parking Authority sold \$27,180,000 Guaranteed Parking Revenue Bonds, Series 2007, dated July 1, 2007. These bonds were issued to finance the design and construction of a 781 space parking facility and attached 33,815 square feet four story office building in the center of Town. Under a Replenishment Agreement, the Town is required to take such actions as necessary to assure that the amounts required to meet the Debt Service Reserve Fund Requirement will be available on the Bond Payment Date. Such actions may include, but not be limited to, the adoption of an emergency appropriation, the levy of ad valorem taxes upon all taxable Real property located within the Town, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirement of such Replenishment Agreement. The Bonds mature annually from 2008 to 2037 at interest rates ranging from 4.00% to 4.70%.

The Town's obligations under the Replenishment Agreement are absolute and unconditional, payable, unless otherwise paid, from the unlimited ad valorem taxing power of the Town.

As of December 31, 2013, the outstanding debt covered by the Town Replenishment Agreement was \$35,200,000. As of June 27, 2014, the Morristown Parking authority was not in default for any of these obligations. The Town is in compliance with the Debt Service Reserve Fund requirement.

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Pending Litigation

AHS v. Town of Morristown. This is litigation that arose between Morristown Memorial Hospital (the "Hospital") and the Town regarding the legitimacy of a claimed tax exemption for the Hospital property, as well as the valuation of that property. Since there were portions of the Hospital property which were not actually and exclusively used for the alleged tax-exempt purposes of the Hospital corporation, the Town sought to impose real property taxes on those non-tax exempt portions of the Hospital. The crucial issue for the court's determination was whether the portions of the Hospital that were being used on a "for profit" basis should still be entitled to tax-exempt treatment for real property taxation purposes. An additional contention was the valuation to be attributed to those "for profit" aspects of the Hospital's operation. It has been determined that some portions of the "for profit" portions of the Hospital are not tax-exempt. The remaining portions of the claimed tax-exempt portions as well as valuation issues are still being litigated. The Town intends to continue to assert its position that "for profit" aspects of a not for profit hospital are subject to real property taxation and are not tax-exempt.

15. FEDERAL ARBITRAGE REGULATIONS

The Town is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on an tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service ("IRS") required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013, the Town had no estimated arbitrage earnings due to the IRS.

16. PRIOR-YEAR DEFEASANCE OF DEBT

On January 29, 2012, the Town issued \$4,845,000 of Refunding Bonds with interest rates ranging from .07% to 3.0%. These bonds were issued to currently refund certain Capital Improvement Bonds of the Town. The total principal currently refunded was \$4,903,000. This resulted in \$58,000 less bonds being issued and interest savings amounted to \$248,063.

In June 2011, the Town issued \$5,555,000 of Refunding Bonds consisting of \$1,500,630 in General Obligation Refunding Bonds and \$4,054,370 in Sewer Utility Refunding Bonds with interest rate ranging of 1.5% to 4%. These bonds were issued in order to currently refund certain principal maturities of General Improvement Bonds of the Town. The total principal currently refunded was \$5,470,000. This current refunding resulted in the issuance of an increased amount of bonds in the amount of \$85,000 and resulted in a decrease of cash flows over the life of these bonds issues in the amount \$301,963. However, the economic gain (difference between the present value of the old and new debt service payments) was \$281,300. That refunding was undertaken to reduce total debt service payments over the next 10 years by \$301,963.

Prior to 2009, the Town defeased certain waste water loans by placing the proceeds of new bonds in an irrevocable trust to provide for an future debt service payments on the old bonds. Accordingly, the trust account assets and for the defeased loans are not included in the Town's financial statements. At December 31, 2013, none of the loans outstanding are considered defeased.

17. TRANSFER AGREEMENT

On January 17, 1977, (the transfer date) the Town sold and conveyed its right, title and interest in and to the real and personal property of its water system to the Southeast Morris County Municipal Utilities Authority ("SMCMUA") (the "Authority"). In exchange for the right, title and interest of the

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

water system, the Authority agreed to compensate the Town with respect to all of the indebtedness issued by the Town for water system purposes, which remained outstanding as of the transfer date. The Authority further agreed to pay the Town \$100,000 one year from the transfer date. Additionally, the Authority agreed to pay to the Town upon the anniversary of the transfer date for a period of 99 years, the sum of \$30,000 per year.

As of December 31, 2013, 65 years are remaining on the transfer agreement and the remaining amount due from the transfer agreement is \$1,920,000.

18. CAPITAL LEASE AGREEMENT

The Town entered into agreements for the leasing of rear-mounted pumper apparatus for the Fire Department, totaling \$452,250, under capital leases. The capital lease agreements are for terms of ten years payable in advance. The following is a schedule of the future minimum lease payments under capital leases and the present value of the net minimum lease payments at December 31, 2013.

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 57,627
2015	57,627
2016	57,627
2017	<u>28,813</u>
Total	201,694
Less: Amounts Representing Interest	<u>17,627</u>
Present value of Net Minimum Lease Payments	<u>\$ 184,067</u>

The Town's capital lease activity for 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Balance, January 1	\$ 259,321	\$ 276,616
Reductions	<u>57,627</u>	<u>17,295</u>
Balance, December 31	<u>\$ 201,694</u>	<u>\$ 259,321</u>
Due Within One Year	<u>\$ 57,627</u>	<u>\$ 45,204</u>

**TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

19. SUBSEQUENT EVENTS

The Town has evaluated subsequent events occurring after December 31, 2013 through June 27, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that the following subsequent events require disclosure:

Tax Anticipation Notes

On February 6, 2014 the Town approved the issuance of \$3,500,000 of Tax Anticipation Notes to temporarily finance the Town's operating expenditures. The Town awarded the sale of said notes to Jefferies and Company at an interest rate of 0.825%.

Bond Anticipation Notes

On May 27, 2014 the Town authorized various capital improvements of \$2,600,000; associated with these improvements were \$2,470,000 of bonds and notes.

CURRENT FUND

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF CURRENT CASH AND INVESTMENTS - TREASURER
YEAR ENDED DECEMBER 31, 2013

A-4

	<u>Ref.</u>		<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2012			\$ 11,461,934	\$ 123,023
Increased by Receipts:				
Non-Budget Revenue	A-2	\$ 523,671		
Petty Cash Fund	A-6	900		
NJ Senior Citizens' and Veterans' Deductions	A-7	51,000		
Taxes Receivable	A-8	56,745,696		
Revenue Accounts Receivable	A-13	11,220,857		
Special Improvement District Taxes Receivable	A-9	606,567		
Due from Southeast Morris MUA	A-15	30,000		
Prepaid Taxes	A-21	292,913		
Tax Anticipation Notes	A-26	3,500,000		
Due to State of NJ	A-29	4,350		
Interfunds	A-17	831,498		
Interfunds	A-17a	1,741,973		
Unappropriated Grant	A-34		\$ 5,000	
Interest Income - Due to Current Fund	A-31		381	
Grant Refund	A-33		500	
Interfund Grant	A-31		21,034	
Grant Receivables	A-30		2,266,677	
			75,549,425	2,293,592
			87,011,359	2,416,615
Decreased by Disbursements				
2013 Budget Appropriations	A-3	32,083,534		
2012 Appropriations Reserves	A-14	1,349,255		
Encumbrances Payable	A-16, A-32	412,416		34,210
Petty Cash	A-6	900		
Regional School Taxes Payable	A-20	27,282,781		
County Tax Payable	A-19	6,545,850		
Miscellaneous Reserves	A-27	33,424		
Tax Overpayments Refunded	A-23	835,655		
Tax Anticipation Notes	A-26	4,500,000		
Due to State of NJ	A-29	1,525		
Special Improvement District Taxes Payable	A-25	597,825		
Interfunds	A-17a	2,151,687		
Interfund - General Capital	A-17	140,000		
Appropriated Reserves	A-33		2,275,420	
Interfund to Current	A-31		324	
			75,934,852	2,309,954
Balance, December 31, 2013	A		\$ 11,076,507	\$ 106,661

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF CHANGE FUNDS
YEAR ENDED DECEMBER 31, 2013

A-5

Balance,
December 31,
2013 and 2012

<u>Title</u>	<u>Ref</u>	
Tax Collector		\$ 100
Municipal Court		100
Police		<u>50</u>
	A	<u>\$ 250</u>

STATEMENT OF PETTY CASH
YEAR ENDED DECEMBER 31, 2013

A-6

	<u>Ref</u>	
Increased by:		
Cash Receipts	A-4	<u>\$ 900</u>
Decreased by:		
Cash Disbursements	A-4	<u>\$ 900</u>
<u>Analysis of Petty Cash</u>		
Tax Collector		\$ 500
Public Works		250
Fire Department		<u>150</u>
		<u>\$ 900</u>

STATEMENT OF DUE FROM STATE OF NEW JERSEY-SENIOR
CITIZENS AND VETERANS' DEDUCTIONS
YEAR ENDED DECEMBER 31, 2013

A-7

	<u>Ref</u>	
Balance, December 31, 2012 (Due From)	A	\$ 858
Increased by:		
Senior Citizens' and Veterans' Deductions	A-8	<u>50,250</u>
		51,108
Decreased by:		
Senior Citizens' and Veterans' Deductions Disallowed	A-8	2,250
Cash Receipts	A-4	<u>51,000</u>
Balance, December 31, 2013 (Due to)	A	<u>\$ (2,142)</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
YEAR ENDED DECEMBER 31, 2013

A-8

Year	Collections							Balance December 31, 2013
	Balance December 31, 2012	Levy	Senior Citizens' and Veterans' Deductions	2012	2013	Transferred To Tax Title Liens	Canceled	
2007	\$ 1,691,836	\$	\$	\$	\$	\$	\$	\$ 1,691,836
2008	878,856							878,856
2012	490,781				487,534		3,247	
2013		57,110,536	48,000	252,818	56,322,916	13,646	(2,169)	475,325
	<u>\$ 3,061,473</u>	<u>\$ 57,110,536</u>	<u>\$ 48,000</u>	<u>\$ 252,818</u>	<u>\$ 56,810,450</u>	<u>\$ 13,646</u>	<u>\$ 1,078</u>	<u>\$ 3,046,017</u>
Ref.	A	Below	A-7	A-21	A-2, A-4	A-10		A

Analysis of 2013 Property Tax Levy

Tax Yield		
General Purpose Tax		\$ 57,246,813
Reductions due to Tax Appeals		(35,756)
Added Taxes (RS 54:4-36.1 et seq.)		172,033
		<u>\$ 57,110,536</u>
Tax Levy		
Regional School Tax		\$ 27,210,212
County Taxes		
County Tax - General	\$ 6,236,316	
Open Space Tax	290,414	
Due County for Added Tax	17,782	
		6,544,512
Local Tax for Municipal Purposes	23,195,594	
Add: Additional Tax Levied	160,218	
		<u>23,355,812</u>
		<u>\$ 57,110,536</u>
Overpayments Applied		A-23 \$ 64,754
Cash Receipts		A-4 <u>56,258,162</u>
		Above <u>\$ 56,322,916</u>

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAXES RECEIVABLE A-9
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 6,254
Increased by:		
2013 District Tax Levy	A-25	618,774
		<u>625,028</u>
Decreased by:		
Cash Receipts	A-4	\$ 606,567
Overpayments Applied	A-24	9,288
		<u>615,855</u>
Balance, December 31, 2013	A	<u>\$ 9,173</u>

STATEMENT OF TAX TITLE LIENS RECEIVABLE
YEAR ENDED DECEMBER 31, 2013

A-10

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 71,034
Increased by:		
Transfers from Current Year Taxes Receivable	A-8	13,646
		<u>84,680</u>
Balance, December 31, 2013	A	<u>\$ 84,680</u>

STATEMENT OF DEMOLITION LIENS
YEAR ENDED DECEMBER 31, 2013

A-11

	<u>Ref.</u>	
Balance, December 31, 2013 and 2012	A	<u>\$ 2,946</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES - AT ASSESSED VALUATIONS
YEAR ENDED DECEMBER 31, 2013

A-12

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 1,551,200
Increased by:		
Property Purchased through Grant Fund	Reserve	642,000
		<u>2,193,200</u>
Balance, December 31, 2013	A	<u>\$ 2,193,200</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2013

A-13

	Balance, December 31, 2012	Accrued in 2013	Collected in 2013	Balance, December 31, 2013
Licenses:				
Alcoholic Beverages	\$	\$ 91,250	\$ 91,250	\$
Others		134,445	134,445	
Fees and Permits		467,682	467,682	
Municipal Court - Fines and Costs	42,846	954,555	930,665	66,736
Interest on Costs on Taxes		146,111	146,110	
Swimming Pool Fees		151,814	151,814	
Lease Agreement - SDC		541,544	541,544	
Cablevision Fees		242,676	242,676	
Animal Control Agreements		7,412	7,412	
Energy Receipts Tax		2,739,864	2,739,864	
Consolidated Municipal Property Tax Relief Aid		128,735	128,735	
Uniform Construction Code Fees		1,281,683	1,281,683	
Anticipated Airport Utility Operating Surplus		204,000	204,000	
Contribution from Sewer Utility for Indirect Costs		131,000	131,000	
Rental of Property - Leases		219,156	219,156	
Police Outside Duty - Administrative Fees		86,166	86,166	
Hotel/Motel Tax		496,508	496,508	
Uniform Fire Safety Act Fees		42,064	42,064	
Rent Leveling Registration		78,630	78,630	
Fire Bureau EMS Revenue Recovery		99,453	99,453	
Anticipated Sewer Utility Operating Surplus		3,000,000	3,000,000	
	<u>\$ 42,846</u>	<u>\$ 11,244,748</u>	<u>\$ 11,220,857</u>	<u>\$ 66,736</u>
<u>Ref.</u>	A	Reserve	A-4	A

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013

A-14
Sheet # 1

	Balance December 31, 2012	Balance After Modification	Encumbrances Canceled	Paid or Charged	Balance Lapsed
SALARIES AND WAGES					
Town Clerk	\$ 623	\$	\$	\$	\$
Police	42,798				
Fire	33,704				
Emergency Management Services	3,002				
Treasurer	2,732				
Collector of Taxes	2,118				
Public Health	4,350				
Recreation Administration	1,199				
Burham Pool	74				
Aging	252				
Rent Leveling	1				
Animal Control	1,184	1,184			1,184
Code Enforcement	1,345				
Public Works	8,055				
Sanitation and Recycling	438				
Bus Transportation	2,140				
Planning	30,997				
Engineering Services and Costs	4,969				
Municipal Court	517				
Uniform Construction Code	1,685				
	142,183	1,184			1,184
OTHER EXPENSES					
Town Clerk	1,024	1,024	127	625	526
Business Administrator	4,061	4,061	1,017	36	5,042
Purchasing	29,485	14,485	36	10,317	4,204
Police	14,263	14,263	224	13,573	914
Fire	309	309	613	886	36
Fire Truck Lease	373	373			373
Emergency Management Services	3,596	1,096	1,986		3,082
Treasurer	11,997	11,997		11,997	
Collector of Taxes	2,193	2,193		135	2,058
Assessment of Taxes	30,695	20,695		20,441	254
Public Health	294	4,644	190	1,609	3,225
Recreation Administration	4,981	4,981	27	405	4,603
Recreation Burnham Pool	3,173	173		156	17
Aging	723	723	46		769
Rent Leveling	250	250			250
Animal Control	275	275		83	192
Code Enforcement	2,310	310		66	244
Public Works	235,126	135,126	81,292	199,647	16,771
Sanitation and Recycling	107,719	87,719	2,729	74,009	16,439

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013

A-14
Sheet # 2

	Balance December 31, 2012	Balance After Modification	Encumbrances Canceled	Paid or Charged	Balance Lapsed
OTHER EXPENSES (Continued)					
Bus Transportation	\$ 2,100	\$ 100	\$ 440	\$	540
Engineering			8,636	50	8,586
Planning	37,399	55,176	47	55,221	2
Legal	89,355	39,355		28,731	10,624
Municipal Prosecutor	12,424	424	1,000		1,424
Historic Preservation Committee	1,000	1,000			1,000
Environmental Commission	1,000	1,000			1,000
Municipal Alliance	8,000	8,000		8,000	
Ten Towns Watershed Management	1,600	1,600			1,600
Uniform Construction Code - Approp	19,345	7,345	18		7,363
Memorial and Vet Day Association	1,400	1,400			1,400
Municipal Court	8,850	8,850	344		9,194
Contingent Expenses	63	63	1,900		1,963
Public Defender	4,182	4,182	500		4,682
Interlocal Radio Dispatch	482	482			482
Social Security	53,062				
PERS	889				
PFRS	1,202				
CPFP	142				
DCRP	531		1,251		1,251
Group Hospitalization	364,618	767,816	2,350	770,166	
Other Insurance Premiums	5,579	5,579			5,579
Reserve for Retirement and Sick Pay	2,728	2,728		2,728	
Reserve for Salary Increases	164,000	164,000		164,000	
Grant Matching	20,000	20,000			20,000
Computer/Office Equipment	4,366	4,366		3,407	959
	<u>\$ 1,399,347</u>	<u>\$ 1,399,347</u>	<u>\$ 104,773</u>	<u>\$ 1,366,288</u>	<u>\$ 137,832</u>

Ref. A A A-16 Below A-1

	<u>Ref.</u>		
Cash Disbursed		A-4	\$ 1,349,255
Accounts Payable		A-18	17,033
			<u>\$ 1,366,288</u>

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF DUE FROM SOUTHEAST MORRIS COUNTY MUA A-15
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 1,950,000
Decreased by:		
Cash Receipt - Anticipated Revenue	A-2,A-4	<u>30,000</u>
Balance, December 31, 2013	A	<u>\$ 1,920,000</u>

STATEMENT OF ENCUMBRANCES PAYABLE
YEAR ENDED DECEMBER 31, 2013

A-16

	<u>Ref.</u>		
Balance, December 31, 2012	A		\$ 549,833
Increased by:			
Due to the State of New Jersey	A-29	\$ 2,825	
Charges in 2013 Budget Appropriations	A-3	<u>718,131</u>	<u>720,956</u>
			1,270,789
Decreased by:			
Appropriation Reserves	A-14	104,773	
Canceled	A-1	32,645	
Payments	A-4	<u>412,416</u>	<u>549,834</u>
Balance, December 31, 2013	A		<u>\$ 720,955</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF INTERFUNDS RECEIVABLE
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	<u>Total</u>	<u>Self Insurance</u>	<u>Airport Operating</u>	<u>Airport Capital</u>	<u>General Capital</u>
Balance December 31, 2012:	A	\$ 620,980	\$ 37,997	\$ 59,540	\$ 235,171	\$ 288,272
Increased by:						
Budget Appropriation	A-3	140,000				140,000
Interest	A-2	7,485				7,485
Fund Balance Anticipated	A-13	204,000		204,000		
		<u>351,485</u>		<u>204,000</u>		<u>147,485</u>
		<u>972,465</u>	<u>37,997</u>	<u>263,540</u>	<u>235,171</u>	<u>435,757</u>
Decreased by:						
Appropriated Grants						
Preliminary Expenses paid by Current Fund	A-4	14,751				14,751
Transferred from Current Fund for CIF	A-4	125,249				125,249
Interest Paid to Current Fund	A-4	6,518				6,518
Cash Receipts	A-4	824,980	37,997	263,540	235,171	288,272
		<u>971,498</u>	<u>37,997</u>	<u>263,540</u>	<u>235,171</u>	<u>434,790</u>
Balance December 31, 2013:						
From	A	\$ 967	\$	\$	\$	\$ 967
(To)	A	\$	\$	\$	\$	\$

TOWN OF MORRISTOWN
CURRENT FUND

A-17a

STATEMENT OF INTERFUNDS PAYABLE
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	<u>Total</u>	<u>Federal/State Grant Fund</u>	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Equitable Sharing</u>
Balance, December 31, 2012:	A	\$ 160,877	\$ 21,034	\$ 1,893	\$ 137,950	\$ 248,239
Increased by:						
Cash Receipts	A-4	1,741,973	57	1,362	1,740,554	
		<u>1,741,973</u>	<u>57</u>	<u>1,362</u>	<u>1,740,554</u>	
		<u>1,902,850</u>	<u>21,091</u>	<u>3,255</u>	<u>1,878,504</u>	<u>248,239</u>
Decreased by:						
Cash Disbursements	A-4	2,151,687	21,034	3,275	1,879,139	248,239
		<u>2,151,687</u>	<u>21,034</u>	<u>3,275</u>	<u>1,879,139</u>	<u>248,239</u>
Balance, December 31, 2013:						
From	A	\$ 77	\$ 57	\$ 20		\$
(To)	A	\$ (635)			\$ (635)	\$

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF ACCOUNTS PAYABLE
YEAR ENDED DECEMBER 31, 2013

A-18

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 66,851
Increased by:		
Transferred from Appropriation Reserves	A-14	17,033
		83,884
Decreased by:		
Cancelations	A-1	66,851
		66,851
Balance, December 31, 2013	A	\$ 17,033

STATEMENT OF COUNTY TAXES PAYABLE
DECEMBER 31, 2013

A-19

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 1,338
Increased by:		
Levy-Calendar Year 2013		\$ 6,236,316
2013 Open Space Tax Levy		290,414
Due County for Added Taxes		17,782
	A-1,2,8	6,544,512
		6,545,850
Decreased by:		
Cash Disbursements	A-4	6,545,850
		6,545,850
Balance, December 31, 2013	A	\$

STATEMENT OF REGIONAL SCHOOL TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2013

A-20

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 74,168
Increased by:		
Transferred from Appropriations	A-3	187,159
Levy - Calendar Year 2013	A-1,2,8	27,210,212
		27,471,539
Decreased by:		
Cash Disbursements	A-4	27,282,781
		27,282,781
Balance, December 31, 2013	A	\$ 188,758

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF PREPAID TAXES
YEAR ENDED DECEMBER 31, 2013

A-21

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 252,818
Increased by:		
Collection of 2014 Taxes	A-4	292,913
		<u>545,731</u>
Decreased by:		
Applied to 2013 Taxes	A-8	252,818
		<u>252,818</u>
Balance, December 31, 2013	A	<u>\$ 292,913</u>

STATEMENT OF DEFERRED CHARGES - EMERGENCY
YEAR ENDED DECEMBER 31, 2013

A-22

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 279,100
Decreased by:		
Raised in 2013 Budget	A-3	279,100
		<u>279,100</u>
Balance, December 31, 2013		<u>\$</u>

STATEMENT OF TAX OVERPAYMENTS
YEAR ENDED DECEMBER 31, 2013

A-23

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 328,005
Increased by:		
Reserve for Tax Appeals	A-3	750,000
		<u>1,078,005</u>
Decreased by:		
Overpayments Applied	A-8	64,754
Refunds	A-4	835,655
		<u>900,409</u>
Balance, December 31, 2013	A	<u>\$ 177,596</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAX OVERPAYMENTS
YEAR ENDED DECEMBER 31, 2013 A-24

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 11,550
Decreased by		
Overpayments Applied	A-9	<u>9,288</u>
Balance, December 31, 2013	A	<u>\$ 2,262</u>

STATEMENT OF SPECIAL IMPROVEMENTS DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2013 A-25

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 65,517
Increased by:		
Collection of SID Taxes Receivable	A-9	<u>618,774</u> 684,291
Decreased by:		
Cash Disbursements	A-4	<u>597,825</u>
Balance, December 31, 2013	A	<u>\$ 86,466</u>

STATEMENT OF TAX ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2013 A-26

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 4,500,000
Increased by:		
Cash Receipts	A-4	<u>3,500,000</u> 8,000,000
Decreased by:		
Cash Disbursements	A-4	<u>4,500,000</u>
Balance, December 31, 2013	A	<u>\$ 3,500,000</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF MISCELLANEOUS RESERVES
YEAR ENDED DECEMBER 31, 2013

A-27

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 47,788
Decreased by:		
Cash Disbursements	A-4	33,424
Cancelations	A-1	<u>14,364</u>
Balance, December 31, 2013		<u><u>\$</u></u>

STATEMENT OF DUE TO REDEVELOPMENT AGENCY
YEAR ENDED DECEMBER 31, 2013

A-28

	<u>Ref.</u>	
Balance, December 31, 2013 and 2012	A	<u><u>\$ 2,188</u></u>

STATEMENT OF DUE FROM STATE OF NEW JERSEY
YEAR ENDED DECEMBER 31, 2013

A-29

	<u>Ref.</u>	
Balance, December 31, 2012	A	\$ 4,525
Increased by:		
Cash Receipts	A-4	<u>4,350</u>
		8,875
Decreased by:		
Encumbrances	A-16	\$ 2,825
Cash Disbursements	A-4	<u>1,525</u>
		<u>4,350</u>
Balance, December 31, 2013	A	<u><u>\$ 4,525</u></u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF GRANTS RECEIVABLE - GRANT FUND
YEAR ENDED DECEMBER 31, 2013

A-30

	Balance, December 31, 2012	2013 Anticipated Revenue	Received	Canceled	Balance, December 31, 2013
Community Development Block Grants					
Re devel. Plan - Center and Coal Streets	\$ 5,193	\$	\$	\$	\$ 5,193
Pocahontas/Caldwell Parks	81,427				81,427
Senior Center Improvements	1,273				1,273
Planning Assistance Grant	18,500				18,500
Highway Safety Grants:					
Body Armor		6,437	6,437		
DEP Recycling Tonnage Grant		36,324	36,324		
T-Growth Planning Grant	4,250				4,250
Open Space & Farmland Preservation	375,000				375,000
Open Space Grant Edgewood Project	75,000				75,000
Clean Communities	478	29,546	29,546		478
State Affordable Housing Grant	12,500				12,500
Smart Growth Planning Grant	53,970				53,970
DOT- South Street Phase II	63,000				63,000
DOT- South Street Phase III	46,250				46,250
FEMA Homeland Security - Turnout Gear	4,257				4,257
NJ DOT Municipal Aid Program- Abbett Ave	37,500				37,500
NJ DOT Safe Street to Transit	85,000				85,000
NJ DOT Streetscape		250,000			250,000
Safe Routes to School Program		120,000			120,000
Green Acres Program - Hillcrest Park	6,668				6,668
NJ DEP - Green Acres- Early Street		487,500	487,500		
Drunk Driving		48,915	48,915		
Local Aid - Corey Road		75,918			75,918
Morris County Open Space - Early Street		1,575,000	1,575,000		
Pocahontas Dam Seepage Control		80,000	80,000		
Alcohol Rehabilitation		2,955	2,955		
	<u>\$ 870,265</u>	<u>\$ 2,712,595</u>	<u>\$ 2,266,677</u>	<u>\$</u>	<u>\$ 1,316,183</u>
<u>Ref.</u>	A	A-2, A-33	A-4		A

See Independent Auditors' Report.

TOWN OF MORRISTOWN

STATEMENT OF DUE FROM/TO CURRENT FUND
GRANT FUND
YEAR ENDED DECEMBER 31, 2013

A-31

	<u>Ref.</u>		
Balance, December 31, 20112 (Due To)	A		\$ 21,034
Increased by:			
Interest Income	A-4		381
			21,415
Decreased by:			
Cash Receipts from Current Fund	A-4	21,034	
Interest Disbursed to Current Fund	A-4	324	21,358
			21,358
Balance, December 31, 2013 (Due From)	A		\$ 57

STATEMENT OF ENCUMBRANCES PAYABLE
GRANT FUND
YEAR ENDED DECEMBER 31, 2013

A-32

	<u>Ref.</u>		
Balance, December 31, 2012	A		\$ 76,089
Increased by:			
Charges to Reserve for Grant Expenditures	A-33		5,150
			81,239
Decreased by:			
Cash Disbursed	A-4	\$ 34,210	
Canceled Encumbrances	A-33	41,879	76,089
			76,089
Balance, December 31, 2013	A		\$ 5,150

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS
GRANT FUND
YEAR ENDED DECEMBER 31, 2013

A-33

	Balance, December 31, 2012	Transferred from Budget Appropriations	Reclassification	Paid or Charged	Canceled Encumbrances	Balance, December 31, 2013
Community Development Block Grants						
Redev. Plan - Center and Coal Streets	\$ 3,287	\$	\$	\$	\$	\$ 3,287
Pocahontas/Caldwell Parks	49,027					49,027
Senior Center Improvements	846					846
Drunk Driving Enforcement Fund	15,170			4,420		10,750
NJ Body Armor Fund	25,635	6,437		10,300		21,772
Dodge Foundation - Footes Pond Donations	8,205					8,205
Alcohol Education Program	16,867			10,000		6,867
DEP - Recycling Tonnage Grant	61,253	36,324		39,291		58,286
Clean Communities Program	12,460	29,546		17,585		24,421
Open Space and Farm Pres. - Cory Road	299,627			46,746		252,881
Open Space - Edgewood Project	75,000					75,000
T-Growth Planning Grant	1,000					1,000
Planning Assist - NJ Highlands	12,500					12,500
Water Quality Grant	13,774					13,774
Recreation Trails - Footes Pond	17,543				7,412	24,955
Smart Growth Planning Grant	8,065					8,065
Smart Growth Planning Grant -2010	6,000					6,000
Affordable Housing Grant	12,500					12,500
Dodge Grant Office of Sustainability	40,870			25,259		15,611
DOT - South Street Phase II	(30)		(446)		32,467	31,991
County of Morris - Caldwell Playground	32,400					32,400
FEMA Homeland Security - Turnout Gear	1,839					1,839
FEMA Homeland Security - EMW	23,244					23,244
Lead ID & Testing	1,249		(354)	895		
NJDHSS Influenza H1N1	270		800	3,070	2,000	
Morristown Rotary	6,305					6,305
NJ DOT Municipal Aid Program- Abbett Ave (11	3,600			1,094		2,506
Rutgers Mini Grant - Health	2,356			2,328		28
NJDOT Safe Streets to Transit	85,000			56,582		28,418
Acquisition & Preservation - 20 Hillcrest Ave.	2,267					2,267
NJ DOT Streetscape		250,000				250,000
Safe Routes to School Program		120,000				120,000
NJ DEP - Green Acres- Early Street		487,500		487,500		
Drunk Driving		48,915				48,915
Local Aid - Corey Road		75,918				75,918
Morris County Open Space - Early Street		1,575,000		1,575,000		
Pocahontas Dam Seepage Control		80,000				80,000
Alcohol Rehabilitation		2,955				2,955
	<u>\$ 838,129</u>	<u>\$ 2,712,595</u>	<u>\$</u>	<u>\$ 2,280,070</u>	<u>\$ 41,879</u>	<u>\$ 1,312,533</u>

<u>Ref.</u>	A	A-3, A-30		Below	A-32	A
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	<u>Ref.</u>	
Cash Refund	A-4	\$ (500)
Cash Disbursements	A-4	2,275,420
Encumbrances Payable	A-32	5,150
		<u>\$ 2,280,070</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF RESERVES FOR UNAPPROPRIATED GRANTS
GRANT FUND
YEAR ENDED DECEMBER 31, 2013

A-34

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 100
Increased by:		
Cash Receipts	A-4	<u>5,000</u>
Balance December 31, 2013	A	<u><u>5,100</u></u>
 <u>Analysis of Balance</u>		
Coventis - Local Grant		\$ 5,000
Foote's Pond Walking Path		<u>100</u>
		<u><u>\$ 5,100</u></u>

See Independent Auditors' Report.

TRUST FUND

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF CASH - TREASURER
YEAR ENDED DECEMBER 31, 2013

B-1

		Animal Control		Other		Self Insurance		Equitable Sharing	
	Ref.								
Balance, December 31, 2012	B	\$ 39,190		\$ 3,278,591		\$ 628,991		\$	
Increased by:									
Dog Licenses - State Fees	B-3	\$ 653							
Reserve for Animal Control	B-3	12,410							
Interfunds	B-4, B-9, B-14, B-16	3,275		\$ 1,894,139		\$		\$ 248,239	
Reserve for Recreation	B-11			142,976					
Restitution Receivable	B			2,200					
Miscellaneous Reserves	B-12			2,405,919					
Affordable Housing	B-7			4,145					
Payroll Deduction Payable	B-13			6,617,753					
Escrow Deposits	B-8			531,124					
Reserve for Police Forfeiture	B-5			3,578					
Equitable Sharing	B-17							294,317	
Claims Reimbursements	B-10					45,105			
Interest Earned on Investments	B-3, B-17	136						759	
		16,474		11,601,834		45,105		543,315	
		55,664		14,880,425		674,096		543,315	
Decreased by:									
Payments to Current Fund	B-4, B-9, B-15	1,362		1,740,554		37,997			
Recreation	B-11			146,999					
Reserve for Self-Insurance	B-10					128,149			
Reserve for Police Forfeiture	B-5			292					
Reserve for Animal Control	B-3	3,010							
Reserve for Unemployment Compensation	B-6			8,995					
Due to State of New Jersey	B-2	663							
Miscellaneous Reserves	B-12			1,870,929					
Payroll Deductions Payable	B-13			6,554,567					
Equitable Sharing	B-17							517,385	
Escrow Deposits Returned	B-8			660,757					
		5,035		10,983,093		166,146		517,385	
Balance, December 31, 2013	B	\$ 50,629		\$ 3,897,332		\$ 507,950		\$ 25,930	

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND
YEAR ENDED DECEMBER 31, 2013

B-2

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 14
Increased by:		
Cash Receipts	B-1	653
		667
Decreased by:		
Cash Disbursements	B-1	663
		663
Balance, December 31, 2013	B	\$ 4

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL FUND
YEAR ENDED DECEMBER 31, 2013

B-3

	<u>Ref.</u>		
Balance, December 31, 2012	B		\$ 41,069
Increased by:			
Dog Licenses Fees Collected	B-1	12,410	
Interest	B-1	136	
		12,546	53,615
Decreased by:			
Cash Disbursements	B-1		3,010
			3,010
Balance, December 31, 2013	B		\$ 50,605

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF DUE TO/FROM CURRENT FUND
ANIMAL CONTROL FUND
YEAR ENDED DECEMBER 31, 2013

B-4

	<u>Ref.</u>	
Balance, December 31, 2012 (Due from)	B	\$ (1,893)
Increased by:		
Cash Received from Current Fund	B-1	3,275
		<u>1,382</u>
Decreased by:		
Cash Disbursements	B-1	1,362
		<u>1,362</u>
Balance, December 31, 2013 (Due to)	B	<u>\$ 20</u>

STATEMENT OF RESERVE FOR POLICE FORFEITURE
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

B-5

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 27,376
Increased by:		
Cash Receipts	B-1	3,578
		<u>30,954</u>
Decreased by:		
Cash Disbursements	B-1	292
		<u>292</u>
Balance, December 31, 2013	B	<u>\$ 30,662</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION B-6
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 140,886
Decreased by:		
Due State for Unemployment Benefit Claims	B-1	<u>8,995</u>
Balance, December 31, 2013	B	<u><u>\$ 131,891</u></u>

STATEMENT OF RESERVE FOR AFFORDABLE HOUSING
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

B-7

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 916,948
Increased by:		
Interest Earned	B-1	<u>4,145</u>
Balance, December 31, 2013	B	<u><u>\$ 921,093</u></u>

STATEMENT OF ESCROW DEPOSITS PAYABLE
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

B-8

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 1,177,226
Increased by:		
Escrow Deposits Received	B-1	<u>531,124</u>
		1,708,350
Decreased by:		
Escrow Deposits Returned	B-1	<u>660,757</u>
Balance, December 31, 2013	B	<u><u>\$ 1,047,593</u></u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF FROM/DUE TO CURRENT FUND
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

B-9

	<u>Ref.</u>	
Balance, December 31, 2012 (Due from)	B	\$ (137,950)
Increased by:		
Cash Received	B-1	1,879,139
		<u>1,741,189</u>
Decreased by:		
Cash Disbursed	B-1	1,740,554
		<u>1,740,554</u>
Balance, December 31, 2013 (Due to)	B	<u>\$ 635</u>

STATEMENT OF RESERVE FOR SELF-INSURANCE EXPENDITURES
SELF INSURANCE FUND
YEAR ENDED DECEMBER 31, 2013

B-10

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 590,994
Increased by:		
Claim Reimbursements	B-1	45,105
		<u>636,099</u>
Decreased by:		
Cash Disbursements	B-1	128,149
		<u>128,149</u>
Balance, December 31, 2013	B	<u>\$ 507,950</u>

Analysis of Balance

Reserve for Workers Compensation Claims	\$	233,516
Reserve for Liability Claims		<u>274,434</u>
		<u>\$ 507,950</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF RESERVE FOR RECREATION PROGRAMS
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

B-11

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 58,329
Increased by:		
Cash Receipts	B-1	142,976
		201,305
Decreased by:		
Cash Disbursed	B-1	146,999
Balance, December 31, 2013	B	\$ 54,306

STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

B-12

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013
Municipal Court POAA Fees	\$ 51,027	\$ 8,818	\$ 12,426	\$ 47,419
Fire Prevention Donations	2,532			2,532
Fire Prevention Penalties	19,208	5,702	10,676	14,234
Fire Donations	16,136	2,207	9,625	8,718
Project Planner Deposits - Maple Ave	12,000		14,635	(2,635)
Epstein's Project Deposits	19,035			19,035
Lease Security Deposits	33,500	8,870	13,540	28,830
Police Donations	14,678	1,500	7,275	8,903
Police Abandoned Vehicles	5,028			5,028
Purchase of Police Vehicles	92,576		97,713	(5,137)
Outside Police Duty Fees	132,691	876,931	922,242	87,380
Public Works Deposits	61,190	17,046	4,000	74,236
Senior Weekend Meals Donations	1,518			1,518
Senior Center Donations	2,800	445	1,860	1,385
Jail and Cablevision Legal Reserve	59,381			59,381
Cable Purchase	11,955		2,005	9,950
Public Defender Fees	33,227		5,400	27,827
Outside Lien Redemptions	15,479	586,398	325,774	276,103
Flexible Spending		38,808	33,167	5,641
Flexible Spending - Dependent Care		6,088	5,630	458
Bob Tracey Park Contributions	5,075	2,672	1,063	6,684
Accumulated Sick and Vacation Time	35,505	21,234		56,739
Premium on Tax Sale Deposits	305,062	829,200	403,898	730,364
	\$ 929,604	\$ 2,405,919	\$ 1,870,929	\$ 1,464,594
<u>Ref.</u>	B	B-1	B-1	B

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	<u>B-13</u>
Balance, December 31, 2012	B	\$ 186,521
Increased by:		
Receipts	B-1	6,617,753
		<u>6,804,274</u>
Decreased by:		
Disbursements	B-1	6,554,567
		<u>6,554,567</u>
Balance, December 31, 2013	B	<u>\$ 249,707</u>

STATEMENT OF DUE FROM GENERAL CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	<u>B-14</u>
Balance, December 31, 2012	B	\$ 15,000
Decreased by:		
Disbursements	B-1	15,000
		<u>15,000</u>
Balance, December 31, 2013		<u>\$</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF DUE TO CURRENT FUND
SELF-INSURANCE FUND
YEAR ENDED DECEMBER 31, 2013

B-15

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 37,997
Decreased by:		
Cash Disbursed to Current Fund	B-1	<u>37,997</u>
Balance, December 31, 2013		<u>\$</u>

B-16

STATEMENT OF DUE FROM CURRENT FUND
EQUITABLE SHARING FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 248,239
Decreased by:		
Cash Receipts	B-1	<u>248,239</u>
Balance, December 31, 2013		<u>\$</u>

B-17

RESERVE FOR EQUITABLE SHARING FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	
Balance, December 31, 2012	B	\$ 248,239
Increased by:		
Interest	B-1	759
Revenue Received	B-1	<u>294,317</u>
		543,315
Decreased by:		
Cash Disbursed	B-1	517,385
Encumbered	B	<u>25,135</u>
Balance, December 31, 2013	B	<u>\$ 795</u>

See Independent Auditors' Report

GENERAL CAPITAL FUND

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF CASH - TREASURER
YEAR ENDED DECEMBER 31, 2013

C-2

	<u>Ref.</u>		
Balance, December 31, 2012	C		\$ 3,310,546
Increased by:			
Hurricane Damage Reimbursement	C-8	\$ 75,918	
Premium on Bond Anticipation Note Sales	C-1	58,594	
Interfund Current - CIF	C-16	125,249	
Interfund Current - Interest Income	C-16	7,485	
Bond Anticipation Notes Issued	C-10	<u>1,138,080</u>	
			<u>1,405,326</u>
			4,715,872
Decreased by:			
Improvement Authorizations	C-8	2,381,819	
Interest paid to Current	C-16	6,518	
Encumbrances	C-9	32,245	
Interfund Trust	C-5	15,000	
Paid to Current Fund	C-16	<u>288,272</u>	
			<u>2,723,854</u>
Balance, December 31, 2013	C		<u>\$ 1,992,018</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH
DECEMBER 31, 2013 AND 2012

C-3

	Balance December 31, <u>2013</u>	Balance December 31, <u>2012</u>
Fund Balance	\$ 244,287	\$ 185,693
Grants Receivable	(125,884)	(125,884)
Capital Improvement Fund	66,365	98,036
Reserve for Future Improvements	47,596	47,596
Reserve to Pay Debt Service	506	506
Reserve for Bond Costs	15,201	15,201
Contracts Payable	229,625	39,659
Trust Interfund		15,000
Grant Interfund	(100,000)	(100,000)
Current Interfund	967	288,272
Improvement Authorizations:		
Ordinance		
<u>Number</u>	<u>General Improvements</u>	
02-31	Various Capital Improvements	\$ 58
03-44	Various Capital Improvements	1,236
04-22	Various Capital Improvements	426
05-17/05-28	Various Capital Improvements	231
05-29	Various Capital Improvements	332,946
06-14	Various Capital Improvements	168,350
06-15	Various Capital Improvements	59,343
07-17	Capital Ordinance	1,367
07-18/09-26	Various Capital Improvements	2,359
08-20	Various Public Improvements and Acquisitions	33,202
09-25	Various Public Improvements and Acquisitions	90,093
10-21	Various Capital Improvements	14,940
10-38	Acquisition of Equipment	8,710
11-09	Various Capital Improvements	130,938
12-17	Various Capital Improvements	1,085,054
12-33	Speedwell Development	83,131
12-35	Park Improvements Pool	48,081
6-13	Lingerwood Tennis Courts	10,162
16-13	Various Capital Improvements	636,492
		\$ 1,992,018
		\$ 3,310,546

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2013

C-4

<u>Ord. No</u>	<u>Agency</u>	Balance December 31, <u>2012</u>	<u>Grant Receipts</u>	Balance December 31, <u>2013</u>
96-12	Reconstruction of Abbett Ave.	\$ 38,890	\$	\$ 38,890
97-31	Improvements. To Atno Ave. and Clinton Pl.	56,250		56,250
97-14	Expansion of 1st Ward Hose Co.	30,744		30,744
		<hr/>	<hr/>	<hr/>
		<u>\$ 125,884</u>	<u>\$</u>	<u>\$ 125,884</u>
	Reference	C		C

STATEMENT OF DUE TO TRUST FUND
YEAR ENDED DECEMBER 31, 2013

C-5

Balance, December 31, 2012	<u>Ref.</u> C	\$ 15,000
Decreased by:		
Cash Disbursed	C-2	<hr/> 15,000
Balance, December 31, 2013		<hr/> <u>\$</u>

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	<u>C-6</u>
Balance, December 31, 2012	C	\$ 22,517,473
Decreased by:		
2013 Budget Appropriation to Pay Serial Bonds	C-11	<u>3,828,329</u>
Balance, December 31, 2013	C	<u>\$ 18,689,144</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2013

C-7

<u>Ord. Number</u>	<u>Improvement Description</u>	Balance December 31, 2012	2013 <u>Authorizations</u>	<u>Budget</u> <u>Appropriation</u>	Balance December 31, 2013	<u>Analysis of Balance December 31, 2013</u>	
						<u>Bond</u> <u>Anticipation</u> <u>Notes</u>	<u>Unexpended</u> <u>Improvement</u> <u>Authorizations</u>
08-20	Various Public Improvements	\$ 1,180,098	\$	\$	\$ 1,180,098	\$ 1,180,098	\$
09-25	Various Public Improvements	459,000		22,567	436,433	436,433	
07-18/09-26	Various Public Improvements	123,000		5,029	117,971	117,971	
09-34	Refunding Tax Appeals	628,570		157,143	471,427	471,427	
10-21	Various Capital Improvements	819,000			819,000	819,000	
10-38	Communications Equipment	371,000			371,000	371,000	
11-09	Various Capital Improvements	1,142,000			1,142,000	1,142,000	
12-17	Various Capital Improvements	1,669,000			1,669,000	1,669,000	
12-33	Speedwell Development	1,800,000			1,800,000	1,800,000	
12-35	Park Improvements Pool	199,500			199,500	199,500	
16-13	Various Capital Improvements		1,138,080		1,138,080	1,138,080	
		<u>\$ 4,722,668</u>	<u>\$ 1,138,080</u>	<u>\$ 184,739</u>	<u>\$ 9,344,509</u>	<u>\$ 9,344,509</u>	<u>\$</u>
<u>Ref.</u>		C	C - 8	C-10	C	C-10	

TOWN OR MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2013

C-8

Ord No.	Improvement Description	Ordinance Amount	Balance December 31, 2012		2013 Authorizations				Balance December 31, 2013		
			Funded	Unfunded	Deferred Charges to Future Taxation Unfunded	Capital Improvement Fund	Encumbrances Payable/ (Canceled)	Paid or Charged	FEMA Reimbursement	Funded	Unfunded
02-31	Various Capital Improvements	\$ 2,377,000	\$ 58	\$	\$	\$	\$	\$	\$	\$ 58	\$
03-44	Various Capital Improvements	313,000	1,236							1,236	
04-22	Various Capital Improvements	1,822,000	2,359					1,933		426	
05-17/05-28	Various Capital Improvements	933,000	231							231	
05-29	Various Capital Improvements	2,610,000	498,146				800	164,400		332,946	
06-14	Various Capital Improvements	451,100	168,350							168,350	
06-15	Various Capital Improvements	1,895,000	181,299				(1,875)	123,831		59,343	
07-17	Acquisition of Various Vehicles and Equipment	150,000	1,367							1,367	
07-18/09-26	Various Capital Improvements - 2007	2,356,000		52,596			14,403	35,834			2,359
08-20	Various Public Improvements & Acquisitions	1,562,000		125,194			52,310	39,683			33,201
09-25	Various Public Improvements & Acquisitions	485,000		121,816				31,723			90,093
10-21	Various Capital Improvements	862,000		18,246				3,306			14,940
10-38	Acquisition of Equipment	390,000		8,710				8,710			
11-09	Various Capital Improvements	1,220,000		285,980			77,023	153,936	75,918		130,939
12-17	Various Capital Improvements	1,757,000		1,085,054			79,550	1,005,504			
12-33	Speedwell Development	1,800,000		85,825				2,694			83,131
12-35	Park Improvements Pool	210,000	199,500	10,500				161,919			48,081
6-13	Lingerwood Tennis Courts	100,000				100,000		89,838		10,162	
16-13	Various Capital Improvements	1,195,800			1,138,080	56,920		558,508			636,492
			<u>\$ 1,052,546</u>	<u>\$ 1,793,921</u>	<u>\$ 1,138,080</u>	<u>\$ 156,920</u>	<u>\$ 222,211</u>	<u>\$ 2,381,819</u>	<u>\$ 75,918</u>	<u>\$ 574,119</u>	<u>\$ 1,039,236</u>
Ref.			C	C	C-7	C-15	C-9	C-2	C-2	C	C

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TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF CONTRACTS PAYABLE
YEAR ENDED DECEMBER 31, 2013

C-9

	<u>Ref.</u>		
Balance, December 31, 2012	C		\$ 39,659
Increased by:			
Charged to Improvement Authorization	C-8		<u>224,086</u>
			263,745
Decreased by:			
Cash Disbursed	C-2	\$ 32,245	
Canceled	C-8	<u>1,875</u>	<u>34,120</u>
Balance, December 31, 2013	C		<u>\$ 229,625</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2013

C-10

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	Balance, December 31, <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2013</u>
08-20 (1)	Various Public Improvements. & Acquisitic	6/14/2012	6/14/2014	1.25%	\$ 1,180,098	\$ 1,180,098	\$ 1,180,098	\$ 1,180,098
09-34	Refunding Tax Appeals	6/14/2012	6/14/2014	1.25%	628,570	628,570	785,713	471,427
09-25	Various Public Improvements	6/14/2012	6/14/2014	1.25%	459,000	459,000	481,567	436,433
07-18/09-26	Various Public Improvements	6/14/2012	6/14/2014	1.25%	123,000	123,000	128,029	117,971
21-10	Various Public Improvements	6/14/2012	6/14/2014	1.25%	819,000	819,000	819,000	819,000
38-10	Acq. of Communication Equipment	6/14/2012	6/14/2014	1.25%	371,000	371,000	371,000	371,000
09-11	Various Capital Improvements	6/14/2012	6/14/2014	1.25%	1,142,000	1,142,000	1,142,000	1,142,000
12-17	Various Capital Improvements	9/7/2012	6/14/2014	1.25%	1,669,000	1,669,000	1,669,000	1,669,000
12-33	Speedwell Development	11/30/2012	6/14/2014	1.25%	1,800,000	1,800,000	1,800,000	1,800,000
12-35	Park Improvements Pool	11/30/2012	6/14/2014	1.25%	199,500	199,500	199,500	199,500
16-13	Various Capital Improvements	8/16/2013	6/14/2014	0.07%		1,138,080		1,138,080
					<u>\$ 8,391,168</u>	<u>\$ 9,529,248</u>	<u>\$ 8,575,907</u>	<u>\$ 9,344,509</u>
				<u>Ref.</u>	C	Below	Below	C
Rolled				Contra		\$ 8,391,168	\$ 8,391,168	
Budget appropriation				C-7			184,739	
Issued				C-2		1,138,080		
						<u>\$ 9,529,248</u>	<u>\$ 8,575,907</u>	

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS
YEAR ENDED DECEMBER 31, 2013

C-11
Sheet # 1

Maturity of Bonds Outstanding
December 31, 2013

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2013</u>
Refunding Bonds of 2005	2005	\$ 7,961,260	8/1/14	\$ 673,137	6.40%	\$ 5,205,800		\$ 638,537	\$ 4,567,263
			8/1/15	707,738	6.50				
			8/1/16	739,192	6.50				
			8/1/17	770,647	6.50				
			8/1/18	802,102	6.50				
			8/1/19	874,447	6.50				
General Bonds of 2007	9/15/07	10,183,000	9/15/14	1,250,000	3.75	8,833,000		1,250,000	7,583,000
			9/15/15	1,250,000	3.75				
			9/15/16	1,250,000	3.75				
			9/15/17	1,250,000	3.75				
			9/15/18	1,275,000	3.75				
			9/15/19	1,308,000	3.75				
Refunding Bonds of 2007		6,168,818	2/1/14	466,577	5.45	1,044,243		451,765	592,478
			2/1/15	125,901	5.45				

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TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS
YEAR ENDED DECEMBER 31, 2013

C-11
Sheet # 2

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2013</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2013</u>
			<u>Date</u>	<u>Amount</u>						
Refunding Bonds of 2009	3/1/2009	\$ 1,150,000	3/1/19	\$ 235,000	4.00 %	\$ 1,150,000	\$	\$	\$ 1,150,000	
			3/1/20	230,000	4.25					
			3/1/21	235,000	5.00					
			3/1/22	230,000	5.00					
			3/1/23	220,000	5.00					
Refunding Bonds of 2011	6/21/2011	1,500,630	3/1/14	255,104	2.0	1,489,430		263,027	1,226,403	
			3/1/15	248,767	3.0					
			3/1/16	242,428	3.0					
			3/1/17	240,844	4.0					
			3/1/18	239,260	3.0					
Refunding Bonds of 2012	1/26/2012	4,845,000	2014	1,210,000		4,795,000		1,225,000	3,570,000	
			2015	1,195,000	3.0					
			2016	1,165,000	3.0					
						<u>\$ 22,517,473</u>	<u>\$</u>	<u>\$ 3,828,329</u>	<u>\$ 18,689,144</u>	
						Ref. C			C	
						Refunded		\$		
						Budget Appropriation		3,828,329		
								<u>\$ 3,828,329</u>		

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TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF RESERVE FOR REFUNDING
BOND ISSUANCE COSTS
DECEMBER 31, 2013 AND 2012

C-12

	<u>Ref.</u>	
Balance, December 31, 2013 and 2012	C	\$ <u>15,201</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT SERVICE
DECEMBER 31, 2013 AND 2012

C-13

	<u>Ref.</u>	
Balance, December 31, 2013 and 2012	C	\$ <u>506</u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS
YEAR ENDED DECEMBER 31, 2013

C-14

	<u>Balance,</u> <u>December 31,</u> <u>2012</u>	<u>Received</u>	<u>Balance,</u> <u>December 31,</u> <u>2013</u>
Computer Upgrades	\$ 7,946	\$	\$ 7,946
Traffic Study	4,650		4,650
Open Space	15,000		15,000
Developer's Contribution	<u>20,000</u>	<u> </u>	<u>20,000</u>
	<u>\$ 47,596</u>	<u>\$</u>	<u>\$ 47,596</u>
<u>Ref.</u>	C		C

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2013

C-15

	<u>Ref.</u>		
Balance, December 31, 2012	C		\$ 98,036
Increased by:			
Budget Appropriation	C-16		140,000
			238,036
Decreased by:			
Preliminary Expenses paid by Current Fund	C-16	\$ 14,751	
Appropriated to Finance Improvement Authorizations	C-8	156,920	171,671
			\$ 66,365

STATEMENT OF DUE TO CURRENT FUND
YEAR ENDED DECEMBER 31, 2013

C-16

	<u>Ref.</u>		
Balance, December 31, 2012	C		\$ 288,272
Increased by:			
Preliminary Expenses paid by Current Fund	C-15	14,751	
Transferred from Current Fund for CIF	C-2	125,249	
Interest	C-2	7,485	147,485
			435,757
Decreased by:			
Capital Improvement Fund Appropriation	C-15	\$ 140,000	
Interest Income paid to Current Fund	C-2	6,518	
Cash Disbursements	C-2	288,272	434,790
			\$ 967

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2013

C-17

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>	<u>2013</u> <u>Authorizations</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes Issued</u>	<u>Balance</u> <u>December 31,</u> <u>2013</u>
16-13	Various Capital Improvements	\$	\$ 1,138,080	\$ 1,138,080	\$
		\$	\$ 1,138,080	\$ 1,138,080	\$
		<u>Ref.</u>	C	C-7	C-10
					C

See Independent Auditors' Report

SEWER UTILITY FUND

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CASH - SEWER TREASURER
DECEMBER 31, 2013 AND 2012

D-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2012	D	\$ 483,518	\$ 2,213,301
Increased by Receipts:			
Consumer Accounts Receivable	D-6	\$ 7,993,976	
Reserve for Sewer Connection Fees	D-16		\$ 548,026
Anticipated Revenues	D-3	119,122	
Receipts from Sewer Capital Fund	D-11	313,823	
Premium on Note Sale	D-2		45,139
Capital Improvement Fund	D-14		1,013,000
Overpayments	D-12	119,867	
Interest on Investments/MRNA	D-3	6,949	10,077
Bond Anticipation Note	D-18		6,357,000
		<u>8,553,737</u>	<u>7,973,242</u>
Decreased by Disbursements:			
2013 Budget Appropriations	D-4	4,501,545	
2012 Budget Appropriations	D-9	60,079	
Refund of Overpayments	D-12	87,535	
Improvements Authorizations	D-22		1,051,595
Encumbrances Payable	D-10, D-19	58,722	157,204
Bond Anticipation Note	D-18		6,357,000
Accrued Interest on Bonds/Loans/Note	D-13	578,636	
Payments to Sewer Operating Fund	D-11		313,823
Due to Current Fund	D-15	3,131,000	
		<u>8,417,517</u>	<u>7,879,624</u>
Balance, December 31, 2013	D	<u>\$ 619,738</u>	<u>\$ 2,306,919</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

ANALYSIS OF SEWER UTILITY CAPITAL CASH
DECEMBER 31, 2013 AND 2012

D-5A

	Balance December 31, <u>2013</u>	Balance December 31, <u>2012</u>
Fund Balance	\$ 45,139	\$ 53,549
Contracts Payable	131,209	1,907,546
Reserve for Sewer Connections	324,801	108,420
Capital Improvement Fund	62,000	62,000
Interfund Payable/(Receivable)	1,062	(80,386)

Improvement Authorizations:

<u>Ord. No.</u>	Improvements Description		
72-10/88-06	Improvements to Sanitary Sewerage System	(995)	(995)
04-27	Repairs/Replacement of Sewer Lines/Equipment	8,210	8,210
06-24	Various Sewer Improvements	25	25
07-16	Various Sewer Improvements	2,737	2,737
08-10	Solar Energy Project	(205,482)	(196,894)
08-21	Various Sewer Improvements	(5,475)	(5,475)
10-15	Sewer Line Replacement	7,263	7,263
10-20	Facility Repairs & Improvements	1,034	4,157
11-10	Various Sewer Repairs	7,166	100,343
11-20	Improv. to Sewer Utility Complex	944,497	44,000
12-16	Facility Repairs & Improvements	47,905	198,799
13-21	Various Sewer Improvements	935,823	
		<u>\$ 2,306,919</u>	<u>\$ 2,213,299</u>

STATEMENT OF CONSUMERS ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

D-6

	<u>Ref.</u>	
Balance, December 31, 2012	D	\$ 343,441
Increased by:		
Sewer Rents Levied	Reserve	<u>7,972,276</u>
		8,315,717
Decreased by:		
Sewer Rents Collected:		
Cash Receipts	D-5	7,993,976
Overpayments Applied	D-12	<u>32,383</u>
	D-3	8,026,359
Balance, December 31, 2013	D	<u>\$ 289,358</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF FIXED CAPITAL
YEAR ENDED DECEMBER 31, 2013

D-7

	Balance December 31, <u>2012</u>		Additions by <u>Ordinance</u>	Balance December 31, <u>2013</u>
Sanitary Sewerage System	\$ 66,938,972	\$		\$ 66,938,972
Sewer Line Replacement and Repairs	1,546,535			1,546,535
Equipment	<u>101,382</u>			<u>101,382</u>
	<u>\$ 68,586,889</u>	<u>\$</u>		<u>\$ 68,586,889</u>

Ref. D

D

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
YEAR ENDED DECEMBER 31, 2013

D-8

<u>Or. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>		2013 Authorizations Deferred Charges to <u>Future</u> <u>Revenue</u>		Budget <u>Appropriation</u>	Balance December 31, <u>2013</u>
04-27	Repairs/Replacement of Sewer Lines/Equipment	\$ 8,907	\$		\$		\$ 8,907
06-24	Various Sewer Improvements	392					392
07-16	Various Sewer Improvements	2,166					2,166
08-10	Solar Energy Project	4,900,000					4,900,000
08-21	Various Sewer Improvements	275,000					275,000
10-15	Sewer Line Replacement	100,000					
10-20	Facility Repairs & Improvements	680,000					680,000
11-10	Various Sewer Repairs	377,000					377,000
11-20	Improv. to Sewer Utility Complex	2,000,000					2,000,000
12-16	Facility Repairs & Improvements	200,000					200,000
12-34	Sewer Complex Supplemental	625,000					625,000
21-13	Various Sewer Improvements			1,013,000			1,013,000
		<u>\$ 9,168,465</u>		<u>\$ 1,013,000</u>	<u>\$</u>		<u>\$ 10,081,465</u>

Ref. D

D-22

D-19

D

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF APPROPRIATION RESERVES -
OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

D-9

	Balance December 31, <u>2012</u>	Modified <u>Budget</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salary and Wages	\$ 2,296	\$ 2,296	\$	2,296
Other Expenses	109,369	109,369	60,079	49,290
Other Sewer Expenses	10,500	10,500		10,500
Social Security	56,000	56,000		56,000
	<u>\$ 178,165</u>	<u>\$ 178,165</u>	<u>\$ 60,079</u>	<u>\$ 118,086</u>
<u>Ref.</u>	D		D-5	D-1

STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

D-10

	<u>Ref.</u>		
Balance, December 31, 2012	D		\$ 75,460
Increased by:			
Charges to 2013 Appropriations	D-4		46,421
			121,881
Decreased by:			
Cash Disbursements	D-5	\$ 58,722	
Canceled	D-1	16,738	75,460
Balance, December 31, 2013	D		<u>\$ 46,421</u>

TOWN OF MORRISTOWN
SEWER UTILITY FUND

D-11

INTERFUNDS
DECEMBER 31, 2013 AND 2012

	<u>Ref.</u>	<u>Sewer Operating Fund</u>	<u>Sewer Capital Fund</u>
Balance December 31, 2012			
Due from	D	<u>\$ (80,386)</u>	
Due (to)	D		<u>\$ 80,386</u>
Increased by:			
Cash Transferred to Sewer Operating Fund	D-5		313,823
Accrued Interest		10,077	
Anticipated Revenue	D-3	53,549	
Sewer Connection Fees	D-3	<u>331,645</u>	
		395,271	<u>313,823</u>
Decreased by:			
Reserve for Sewer Connection Fees	D-16		331,645
Capital Fund Balance	D-2		53,549
Interest Income	D-5		10,077
Cash Receipts	D-5	<u>313,823</u>	
		313,823	<u>395,271</u>
Balance December 31, 2013			
Due from	D	<u>\$ 1,062</u>	
Due (to)	D		<u>\$ (1,062)</u>

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF OVERPAYMENTS -
OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

D-12

	<u>Ref.</u>	
Balance, December 31, 2012	D	\$ 32,383
Increased by:		
Overpayments in 2013	D-5	119,867
		<u>152,250</u>
Decreased by:		
Cash Disbursed	D-5	87,535
Applied to Sewer User Charges	D-6	32,383
		<u>32,383</u>
Balance, December 31, 2013	D	<u>\$ 32,332</u>

STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

D-13

	<u>Ref.</u>	
Balance, December 31, 2012	D	\$ 236,798
Increased by:		
Budget Appropriation for:		
Interest on Bonds and Notes	D-4	567,104
		<u>803,902</u>
Decreased by;		
Cash Disbursements	D-5	578,636
		<u>578,636</u>
Balance, December 31, 2013	D	<u>\$ 225,266</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND
DECEMBER 31, 2013 AND 2012

D-14

	<u>Ref.</u>	
Balance, December 31, 2012	D	\$ 62,000
Increased by		
Budget Appropriation	D-5	1,013,000
		<u>1,075,000</u>
Decreased by		
Finance Improvement Authorization	D-20	1,013,000
		<u>1,013,000</u>
Balance, December 31, 2013	D	<u>\$ 62,000</u>

STATEMENT OF DUE TO CURRENT FUND
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

D-15

	<u>Ref.</u>	
Balance, December 31, 2012		
Increased by:		
Cash Receipts		\$
Budget Appropriation	D-4	3,131,000
		<u>3,131,000</u>
Decreased by;		
Cash Disbursements	D-5	3,131,000
		<u>3,131,000</u>
Balance, December 31, 2013		<u>\$</u>

STATEMENT OF RESERVE FOR SEWER CONNECTION FEES
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-16

	<u>Ref.</u>	
Balance, December 31, 2012	D	\$ 108,420
Increased by;		
Cash Receipts	D-5	548,026
		<u>656,446</u>
Decreased by:		
Realized in Operating Fund	D-11	331,645
		<u>331,645</u>
Balance, December 31, 2013	D	<u>\$ 324,801</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF SERIAL BONDS -
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-17
Sheet # 1

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2012</u>			<u>Balance, December 31, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2013</u>
			<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>				
Refunding Bonds of 2005	2005	\$ 6,843,105	8/1/14	\$ 396,863	6.40 %	\$ 3,069,196	\$	\$ 376,464	\$ 2,692,732
			8/1/15	417,263	6.50				
			8/1/16	435,807	6.50				
			8/1/17	454,352	6.50				
			8/1/18	472,897	6.50				
			8/1/19	515,550	6.50				
Sewer Utility Bonds	9/15/07	1,512,000	9/15/14	160,000	3.75	1,112,000		155,000	957,000
			9/15/15	160,000	3.75				
			9/15/16	160,000	3.75				
			9/15/17	160,000	3.75				
			9/15/18	160,000	3.75				
			9/15/19	157,000	3.75				
Refunding Bonds of 2007		2,861,182	2/1/14	163,422		365,756		158,235	207,521
			2/1/15	44,099	5.45 5.45				

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TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF SERIAL BONDS -
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-17
Sheet # 2

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2012</u>			<u>Balance,</u> <u>December 31,</u> <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance,</u> <u>December 31,</u> <u>2013</u>
			<u>Date</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>				
Refunding Bonds 2009	10/1/09	\$ 2,475,000	3/1/19	\$ 505,000	4.00 %	\$ 2,475,000	\$	\$	\$ 2,475,000
			3/1/20	495,000	4.25				
			3/1/21	495,000	5.00				
			3/1/22-23	490,000	5.00				
Refunding Bonds 2011A	7/13/11	3,234,370	3/1/14	549,895	2.00	3,210,570		566,973	2,643,597
			3/1/15	536,234	3.00				
			3/1/16	522,572	3.00				
			3/1/17	519,156	4.00				
			3/1/18	515,740	3.00				
Refunding Bonds 2011B	7/13/11	820,000	3/1/14	85,000	2.00	810,000		90,000	720,000
			3/1/15	85,000	3.00				
			3/1/16	85,000	3.00				
			3/1/17	85,000	4.00				
			3/1/18	80,000	3.00				
			3/1/19	80,000	3.00				
			3/1/20	80,000	3.00				
			3/1/21	75,000	3.125				
			3/1/22	65,000	3.25				
						<u>Ref</u>	<u>D</u>	<u>D-20</u>	<u>D</u>

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TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF BOND ANTICIPATION NOTES
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-18

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<u>Ord No.</u>	<u>Date of Original Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2013</u>	
08-10	Solar Energy Project	9/16/08	06/14/14	1.25 %	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000
08-21	Various Sewer Improvements	9/16/08	06/14/14	1.25	268,018		268,018	
10-15	Replacement of Sewer Lines	06/14/11	06/14/14	1.25	100,000		100,000	
10-20	Various Sewer Facility Repairs & Improvements	06/14/11	06/14/14	1.25	680,000	680,000	714,982	645,018
11-20	Improvements to Sewer Utility Complex	06/14/12	06/14/14	1.25	2,000,000	2,000,000	2,000,000	2,000,000
11-20	Facility Repairs & Improvements	06/14/12	06/14/14	1.25	377,000	377,000	377,000	377,000
12-16	Facility Repairs & Improvements	9/7/12	06/14/14	1.25	200,000	200,000	200,000	200,000
					<u>\$ 6,725,018</u>	<u>\$ 6,357,000</u>	<u>\$ 6,760,000</u>	<u>\$ 6,322,018</u>
				<u>Ref.</u>	D	D-5	Below	D
	Budget Appropriation			D-20		\$ 403,000		
	BAN's Rolled			D-5		<u>6,357,000</u>		
						<u>6,760,000</u>		

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-19

	<u>Ref.</u>		
Balance, December 31, 2012	D		\$ 1,907,546
Increased by:			
Charged to Improvement Authorizations	D-22		129,295
			<u>2,036,841</u>
Decreased by:			
Canceled	D-22	\$ 1,748,428	
Cash Disbursed	D-5	<u>157,204</u>	<u>1,905,632</u>
Balance, December 31, 2013	D		<u>\$ 131,209</u>

STATEMENT OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-20

	<u>Ref.</u>		
Balance, December 31, 2012	D		\$ 57,543,370
Increased by:			
Ordinance Funded by Capital Improvement Fu	D-8		1,013,000
Paid by Budget Appropriation - BANs	D-18		403,000
Paid by Budget Appropriation - Serial Bonds	D-17		<u>1,346,672</u>
Balance, December 31, 2013	D		<u>\$ 60,306,042</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-21

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	Increased by Grant <u>Proceeds</u>	Transfer (to) From <u>Reserve for Amortization</u>	Balance December 31, <u>2013</u>
04-27	Repairs/Replacement of Sewer Lines/Equipment	\$ 8,907	\$	\$	\$ 8,907
06-24	Various Sewer Improvements	392			392
07-16	Various Sewer Improvements	2,166			2,166
08-10	Solar Energy Project	<u>1,515,298</u>	<u> </u>	<u> </u>	<u>1,515,298</u>
		<u>\$ 1,526,763</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,526,763</u>
<u>Ref.</u>		D			D

TOWNSHIP OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

D-22

Ord. No	Improvement Description	Ordinance Amount	Balance December 31, 2012		2013 Authorizations Capital Improvement Fund	Encumbrances Canceled	Paid or Charged	Balance December 31, 2013	
			Funded	Unfunded				Funded	Unfunded
04-27/05-22	Repairs/Replacements of Sewer Lines/Equipment	\$ 934,000	\$ 8,210	\$	\$	\$	\$	\$ 8,210	\$
06-24	Various Sewer Improvements	400,000	25					25	
07-16	Various Sewer Improvements	224,000	2,737					2,737	
08-10	Solar Energy Project	4,900,000		87,808			9,363		78,445
08-21	Various Sewer Improvements	275,000		2,284					2,284
10-15	Sewer Line Replacement	100,000		7,263					7,263
10-20	Facility Repairs & Improvements	680,000		4,159		3,000	6,125		1,034
11-10	Various Sewer Repairs			100,343		281	93,458		7,166
11-20	Improvement to Sewer Utility Complex			43,223		1,745,147	843,873		944,497
12-16	Facility Repairs & Improvements			198,799			150,894		47,905
12-34	Sewer Complex - Supplemental			625,000					625,000
21-13	Various Sewer Improvements				1,013,000		77,177	935,823	
			<u>\$ 10,972</u>	<u>\$ 1,068,879</u>	<u>\$ 1,013,000</u>	<u>\$ 1,748,428</u>	<u>\$ 1,180,890</u>	<u>\$ 946,795</u>	<u>\$ 1,713,594</u>
<u>Ref.</u>			D	D	D-8	D-19	Below	D	D
						<u>Ref.</u>			
						Cash Disbursed	D-5	\$ 1,051,595	
						Contracts Payable	D-19	129,295	
								<u>\$ 1,180,890</u>	

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TOWN OF MORRISTOWN
SEWER UTILITY FUND

D-23

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	2013 <u>Authorizations</u>	<u>Notes Issued</u>	Balance December 31, <u>2013</u>
72-10/88-06	Improvements to Sanitary Sewerage System	\$ 995	\$	\$	\$ 995
		384,702			384,702
08-10	Solar Energy Project	400,000			400,000
12-34	Sewer Complex - Supplemental	625,000			625,000
		\$ 1,410,697	\$	\$	\$ 1,410,697
		<u>Ref.</u>	D		D

See Independent Auditors' Report

AIRPORT UTILITY FUND

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF CASH - TREASURER
YEAR ENDED DECEMBER 31, 2013

E-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2012	E	\$ 95,730	\$ 215,396
Increased by Receipts:			
Received from Federal Aviation Administration	E-9		\$ 955,241
Received from DM	E-11		94,569
Received from State of New Jersey	E-10		22,049
Rental Payments Received	E-6	\$202,528	
Interest on Investments	E-3	<u>1,145</u>	<u>746</u>
		203,673	1,072,605
		<u>299,403</u>	<u>1,288,001</u>
Decreased by Disbursements:			
Contracts Payable	E-16		1,050,094
Paid to Airport Operating	E-20		653
Transferred to Current Fund	E-19, E-18	<u>263,540</u>	<u>235,171</u>
		263,540	1,285,918
Balance, December 31, 2013	E	<u>\$ 35,863</u>	<u>\$ 2,083</u>

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

E-5a

ANALYSIS OF CAPITAL CASH
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Balance,</u> December 31, 2013	<u>Balance,</u> December 31, 2012
Fund Balance	\$ 211	\$ 211
Due from FAA	(1,369,565)	(2,684,161)
Due from State of New Jersey	(111,968)	(156,981)
Due to/(from) Lessee	92,662	(24,871)
Due to Current Fund		235,171
Due to Operating	93	
Reserve for Future Improvements	106,517	106,517
Contracts Payable	1,183,986	1,908,661
<u>Ord. No.</u>	<u>Improvement Authorizations:</u>	
01-17	Overlay of Runway 5-23	139,326
01-03	Deer Fence Phase III	2,623
03-01	Airport Layout Plan	364,143
03-02/03-26/03-42	Airport Circuit Replacement	16,415
03-21	Taxiway A&B	2,954
04-34	Rehabilitation of Runway 13-31	3,829
04-	Airport Obstruction Study	1,290
04-35	Aircraft Deicing Apron - Phase II	94,339
04-36/05-27	Airport Obstruction Removal	7,867
04-37/06-16	Electrical Vault Relocation	14,971
05-	Drainage Improvement Design	2,000
05-44	Prec. Approach Indicator (PAPI)	2,599
06-36	Automated Weather Obs. Sys	11,999
31-07	Drain Imp. R/W 13 & W. Tie Down	10,067
32-07	Airport Layout Plan Update	13,947
23-08	Taxiway Survey Runways 5 & 23	3,564
24-08	Airport Obstruction Removal	6,267
11-09	Electrical, Ramps	4,306
13-09	Wildlife Training	3,275
14-09	Airport Layout Plan/Master	6,030
30-09	Runway Guard Lights	17,764
10-08	Design/Permitting Taxiway A	11,875
10-18	Rehabilitation Taxiway A	89,400
19-13	Runway 5-23 Feasibility Phase I	54,000
23-13	Environmental Assessment Runway 5-23	46,147
	<u>54,000</u>	
	<u>46,147</u>	
	<u>\$ 2,083</u>	<u>\$ 215,397</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE
OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

E-6

Ref.

Balance, December 31, 2012		\$
Increased by:		
Lease Rental Accrued	Reserve	202,528
		202,528
Decreased by:		
Collections		
Cash Receipts	E-5	202,528
		202,528
Balance, December 31, 2013		\$

STATEMENT OF FIXED CAPITAL
AIRPORT UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

E-7

	Balance December 31, 2012	Projects Completed	Balance December 31, 2013
Building, Hangars, Lighting and Fencing	\$ 5,117,202	\$ 34,180	5,151,382
Apron and Taxiways	16,195,075	94,339	16,289,414
Parking Gate	13,561		13,561
Purchase of Land and Enlargement of Airport	5,943,801		5,943,801
Sanitation Sewer and Access Road	10,000		10,000
Various Improvements of Municipal Airport	3,959,226	586,687	4,545,913
Drainage Improvements	588,283	12,067	600,350
Electrical Vault Relocation/Circuit Replacement	1,405,734	14,971	1,420,705
Airport Overlay Project	860,587		860,587
Airport Layout Plan Update	225,000		225,000
Master Plan	46,455	232,362	278,817
Environmental Assessment	116,803		116,803
Automated Weather Observation System	328,759	11,999	340,758
Runway Rehabilitation and Improvements	17,249,076	6,297,275	23,546,351
Prec. Approach Indicator (PAPI)	46,826	2,599	49,425
Wildlife/Deer Fence	1,072,377	6,648	1,079,025
Tractor and Snow Removal Equipment	772,001		772,001
Fire and Rescue Trucks	246,606		246,606
Various Equipment and Vehicles	9,107		9,107
	\$ 54,206,479	\$ 7,293,127	\$ 61,499,606
Ref.	E	E-8	E

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

E-8

Ord.	<u>No. Improvement Description</u>	Balance, December 31, 2012	2013 Authorizations Deferred Reserve for Amortization	Cost (To) From Fixed Capital	Balance, December 31, 2013
01-17	Overlay of Runway 5-23	\$ 139,326	\$	\$ 139,326	\$
01-03	Deer Fence Phase III	2,623		2,623	
03-01	Airport Layout Plan	425,000		425,000	
03-02/03-26/03-40	Airport Circuit Replacement	16,415		16,415	
03-21	Reconstruction of Taxiway A& B	2,954		2,954	
04-30	Runway Safety Study	1,290		1,290	
04-34	Rehabilitation of Runway 13-31	3,829		3,829	
04-35	Aircraft Deicing Apron - Phase II	94,339		94,339	
04-36/05-27	Airport Obstruction Removal	7,867		7,867	
04-37/06-16	Electrical Vault Relocation	14,971		14,971	
05-43	Drainage Improvement Design	2,000		2,000	
05-44	Prec. Approach Indicator (PAPI)	2,599		2,599	
06-36	Automated Weather Obs. Sys.	11,999		11,999	
31-07	Drain Imp. R/W 13 & W. Tie Down	10,067		10,067	
32-07	Airport Layout Plan Update	13,947		13,947	
23-08	Runways Study 5 & 23	3,564		3,564	
24-08	Obstruction Runaway 23	489,035		489,035	
11-09	Runway Crack Sealing	100,000		100,000	
13-09	Wildlife Training	4,025		4,025	
14-09	Airport Layout Plan/Master	232,362		232,362	
30-09	Runway Guard Lights	17,764		17,764	
31-09	Obstruction Removal Phase I Runway	433,293		433,293	
10-08	Design/Permitting Taxiway A	250,000		250,000	
10-18	Rehabilitation Taxiway A	3,250,807		3,250,807	
11-22	Airport Obstruction Removal	200,500		200,500	
11-23	Runway Rehabilitation	834,000		834,000	
12-22	Hazard Assessment and Management	141,863		141,863	
12-37	Certain Capital Improvements	586,687		586,687	
19-13	Certain Capital Improvements		54,000		54,000
23-13	Certain Capital Improvements		1,064,840		1,064,840
		<u>\$ 7,293,126</u>	<u>\$ 1,118,840</u>	<u>\$ 7,293,126</u>	<u>\$ 1,118,840</u>
Ref.		E	E-13	E-7	E

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM FEDERAL AVIATION ADMINISTRATION
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

E-9

	<u>Ref.</u>		
Balance, December 31, 2012	E		\$ 2,684,161
Increased by:			
2013 Improvement Authorizations	E-15		<u>1,012,356</u>
			3,696,517
Decreased by:			
Cancelation	E-13	\$ 1,371,711	
Cash Receipts	E-5	<u>955,241</u>	<u>2,326,952</u>
Balance, December 31, 2013	E		<u><u>\$ 1,369,565</u></u>

STATEMENT OF DUE FROM STATE OF NEW JERSEY
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

E-10

	<u>Ref.</u>		
Balance, December 31, 2012	E		\$ 156,981
Increased by:			
2013 Improvement Authorizations	E-15		<u>53,242</u>
			210,223
Decreased by:			
Cancelation	E-13	\$ 76,206	
Cash Receipts	E-5	<u>22,049</u>	<u>98,255</u>
Balance, December 31, 2013	E		<u><u>\$ 111,968</u></u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM/TO LESSEE
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

E-11

	<u>Ref.</u>		
Balance, December 31, 2012 (Due from)	E		\$ 24,871
Increased by:			
2013 Improvement Authorizations	E-15		53,242
			78,113
Decreased by:			
Cancellation	E-13	\$ 76,206	
Cash Received	E-5	94,569	170,775
Balance, December 31, 2013 (Due to)	E		\$ (92,662)

STATEMENT OF APPROPRIATION RESERVES
OPERATING FUND
YEAR ENDED DECEMBER 31, 2013

E-12

	<u>Balance,</u> <u>December 31,</u> <u>2012</u>	<u>Balance After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Other Expenses	\$ 5,000	\$ 5,000	\$	\$ 5,000
<u>Ref.</u>	E	E		E-1

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2013

E-13

Ord. No.	Description	Amount	Balance December 31, 2012 Funded	Contribution From Lessee	State Grants	FAA Grants	Encumbrances Canceled	Completed Improvements Canceled	Paid or Charged	Balance December 31, 2013 Funded
01-17	Overlay of Runway 5-23	\$ 277,778	\$ 139,326	\$	\$	\$	\$	\$ 139,326	\$	\$
01-03	Deer Fence Phase III	600,000	2,623					2,623		
03-01	Airport Layout Plan	425,000	364,143					364,143		
03-02/03-26/03-42	Airport Circuit Replacement	500,001	16,415					16,415		
03-21	Taxiway A & B	4,175,000	2,954				295,224	298,178		
	Runway Safety						6,449	6,449		
04-30	Airport Obstruction Study	70,000	1,290					1,290		
04-34	Rehabilitation of Runway 13-31	361,855	3,829				2,275	6,104		
04-35	Aircraft Deicing Apron - Phase II	2,655,054	94,339				332,467	426,806		
04-36/05-27	Airport Obstruction Removal	387,479	7,867				54	7,921		
04-37/06-16	Electrical Vault Relocation	922,148	14,971				2,374	17,345		
05-43	Drainage Improve Design	226,850	2,000					2,000		
05-44	Prec. Approach Indicator (PAPI)	49,425	2,599					2,599		
06-36	Automated Weather Obs. Sys.	297,350	11,999				8,849	20,848		
	Rehabilitation Taxiway A&B - 2006						3,247	3,247		
31-07	Drain Imp. R/W 13 & W. Tie Down	128,500	10,067					10,067		
32-07	Airport Layout Plan Update	238,947	13,947					13,947		
23-08	Taxiway Survey Runways 5 & 23	94,737	3,564					3,564		
24-08	Airport Obstruction Removal	489,035	6,267				33,141	39,408		
11-09	Runway Crack Sealing	100,000	4,306					4,306		
13-09	Employee Wildlife Training Program	4,025	3,275					3,275		
14-09	Airport Layout Master Plan - Phase II	232,362	6,030						6,030	
23-09	Rehabilitation Taxiway						61	61		
30-09	Runway Guard Lights	21,563	17,764				15,162	32,926		
10-08	Design/Permitting Taxiway A	250,000	11,875					11,875		
10-18	Rehabilitation Taxiway A	3,250,807	89,400					89,400		
19-13	Runway 5-23 Feasibility Phase I	54,000				54,000				54,000
23-13	Environmental Assessment Runway 5-23	1,064,840		53,242	53,242	958,356			1,018,693	46,147
			<u>\$ 830,850</u>	<u>\$ 53,242</u>	<u>\$ 53,242</u>	<u>\$ 1,012,356</u>	<u>\$ 699,303</u>	<u>\$ 1,524,123</u>	<u>\$ 1,024,723</u>	<u>\$ 100,147</u>
	Ref.		E	E-8	E-8	E-8	E-16		E-16	E
	Due from FAA	E-9						\$ 1,371,711		
	Due from State	E-10						76,206		
	Due from Lessee	E-11						76,206		
								<u>\$ 1,524,123</u>		

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TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF RESERVE FOR AMORTIZATION
CAPITAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012

E-14

	<u>Ref.</u>	
Balance, December 31, 2012	E	\$ 54,206,479
Increased by:		
Transfer from Deferred Reserve for Amortization	E-15	<u>7,293,127</u>
Balance, December 31, 2013	E	<u>\$ 61,499,606</u>

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
CAPITAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012

E-15

	<u>Ref.</u>		
Balance, December 31, 2012	E		\$ 7,293,127
Increased by:			
2013 Fixed Capital Authorized:			
Contribution from Lessee	E-11	\$ 53,242	
Contribution from the State	E-10	53,242	
Contribution from FAA	E-9	<u>1,012,356</u>	
			<u>1,118,840</u>
			8,411,967
Decreased by:			
Transfer to Reserve for Amortization	E-14		<u>7,293,127</u>
Balance, December 31, 2013	E		<u>\$ 1,118,840</u>

Analysis of Balance at December 31, 2013

<u>Description</u>	Balance, December 31, 2013
Runway 5-23 Feasibility Phase I	\$ 54,000
Runway Rehabilitation	<u>1,064,840</u>
	<u>\$ 1,118,840</u>

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE
AIRPORT UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2013

E-16

	<u>Ref.</u>	
Balance, December 31, 2012	E	\$ 1,908,660
Increased by:		
Charges to Improvement Authorizations	E-13	1,024,723
		<u>2,933,383</u>
Decreased by:		
Canceled	E-13	\$ 699,303
Cash Disbursed	E-5	1,050,094
		<u>1,749,397</u>
Balance, December 31, 2013	E	<u>\$ 1,183,986</u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS
AIRPORT UTILITY CAPITAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012

E-17

	<u>Ref.</u>	
Balance, December 31, 2013 and 2012	E	<u>\$ 106,517</u>

STATEMENT OF DUE FROM CURRENT FUND
AIRPORT UTILITY CAPITAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012

E-18

	<u>Ref.</u>	
Balance, December 31, 2012	E	\$ 235,171
Decreased by:		
Cash Disbursed to Current Fund	E-5	235,171
		<u>235,171</u>
Balance, December 31, 2013		<u>\$</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
STATEMENT OF DUE TO CURRENT FUND
AIRPORT OPERATING FUND
YEAR ENDED DECEMBER 31, 2013 AND 2012

E-19

	<u>Ref.</u>	
Balance, December 31, 2012	E	\$ 59,540
Increased by:		
Fund Balance Anticipated by Current Fund	E-4	204,000
		263,540
Decreased by:		
Funds Disbursed to Current Fund	E-5	263,540
		263,540
Balance, December 31, 2013	E	\$

STATEMENT OF DUE FROM AIRPORT CAPITAL
AIRPORT OPERATING FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012

E-20

Balance, December 31, 2012	E	\$
Increased by:		
Fund Received by Operating	E-5	746
		746
Decreased by:		
Funds Disbursed to Operating	E-5	653
		653
Balance, December 31, 2013	E	\$ 93

**TOWN OF MORRISTOWN
MORRIS COUNTY, NEW JERSEY**

**PART II
GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT SECTION
YEAR ENDED DECEMBER 31, 2013**

**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 and Members of
the Town Council
Town of Morristown
County of Morris
Morristown, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds of the Town of Morristown, Morris County, New Jersey (the "Town"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's regulatory basis 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*. We noted certain matters that we reported to management of the Town incorporated herein the schedule of findings and questions costs.

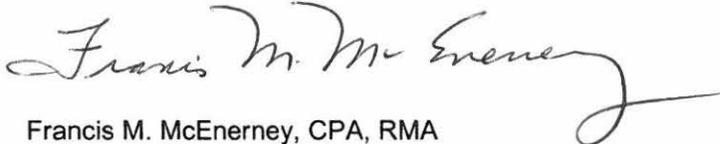
The Town responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and accordingly, we express no opinion on it.

Purpose of this Report

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



Livingston, New Jersey
June 27, 2014



Francis M. McEnerney, CPA, RMA
Licensed Registered Municipal Accountant # 539

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and New Jersey OMB Circular 04-04

The Honorable and Members of
the Town Council
Town of Morristown
County of Morris
Morristown, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Town of Morristown, Morris County, New Jersey's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133* and *New Jersey OMB Circular 04-04 Compliance Supplements* that could have a direct and material effect on each of the Town's major programs for the year ended December 31, 2013. The Town's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Programs* (collectively, "OMB Circular A-133"). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

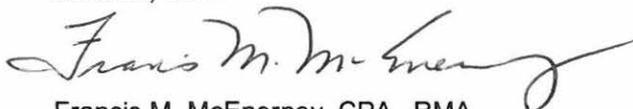
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the regulatory basis financial statements of the Town as of and for the year ended December 31, 2013, and have issued our report thereon dated June 27, 2014, which contained an unmodified opinion on those financial statements on the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements as a whole. The accompanying schedules of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole



Livingston, New Jersey
June 27, 2014



Francis M. McEnerney, CPA, RMA
Licensed Registered Municipal Accountant # 539

TOWN OF MORRISTOWN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR FISCAL YEAR ENDED DECEMBER 31, 2013

Schedule A
 Page 1

Federal Funding Department and and Description	Grant Number	C.F.D.A. No.	Award Amount	2013 Funds Received	Canceled	12/31/13 Expenditures	Cumulative Expenditures
Housing and Urban Development:							
Community Development Block							
Grants:							
	B-09-UV-34-0101						
Redevelopment Plan- Center and Coal Street		14.218	\$ 30,000	\$	\$	\$	\$ 29,471
2009 Park Improvements- Pocahontas Park		14.218	135,000				90,308
2009 Senior Center		14.218	80,000				79,154
2013 Pocahontas Dam Seepage Control			80,000	80,000			
			<u>245,000</u>	<u>80,000</u>			<u>198,933</u>
US Department of Homeland Security:							
Assistance to Firefighters							
2008 Turnout Gear	EMW-2008-FO-11636	83.554	80,912				79,073
2009 Regional	EMW-2009-FO-11636	83.554	200,911				177,668
			<u>281,823</u>				<u>256,741</u>
US Department of Transportation:							
Airport Improvement Program:							
	6070-100-XXX	20.106					
2009 Master Plan			220,743	32,903		32,903	220,743
2010 Rehab. Taxiway A			3,088,268	328,636		215,256	3,088,268
2011 Obstruction Removal			190,475	60,980		60,980	149,827
2012 Runway Feasibility - Phase II			792,300	475,216		475,216	792,300
2013 Wildlife Hazard Plan			127,679	57,506		57,506	27,537
2013 Environmental Assessment Runway 5-23			958,356				
2013 Runway 5-23 Feasibility Phase I			54,000				
			<u>6,565,467</u>	<u>955,241</u>		<u>841,861</u>	<u>5,190,023</u>
US Department of Environmental Protection							
Recreation Trails Program Grant							
Footes Pond Wood Park	4875-100-205		25,000				14,869
Passed Through State Dept. of Transportation							
Highway Planning and Construction							
		20.205					
Improvement to South Street (Ord 2008-20)	6320-480-AJ3		252,000				219,563
NJDOT Municipal Aid Program-Abbott Ave (11)			150,000			1,094	147,494
NJDOT Safe Streets to Transit			85,000			56,582	56,582
NJDOT Safe Routes to School			120,000				
Streetscape			250,000				
			<u>857,000</u>			<u>57,676</u>	<u>423,639</u>
US Department of Justice							
Equitable Sharing							
	NJ0142400	16.922	540,814	540,814		514,884	514,884
			<u>540,814</u>	<u>540,814</u>		<u>514,884</u>	<u>514,884</u>
			<u>\$ 8,490,104</u>	<u>\$ 1,576,055</u>	<u>\$</u>	<u>\$ 1,414,421</u>	<u>\$ 6,584,220</u>

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TOWN OF MORRISTOWN
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR FISCAL YEAR ENDED DECEMBER 31, 2013

Schedule B
 Page 1 of 3

State Funding Department and and Description	Grant Number	C.F.D.A. No.	Award Amount	Funds Received	Canceled	12/31/13 Expenditures	Cumulative Expenditures
Department of Transportation (Airport Utility)							
Airport Improvement Program							
	100-078-6070						
2009 Airport Layout Master Plan (Ord 2009-14)			\$ 5,810	\$ 1,828		\$ 1,828	\$ 5,810
2010 Rehab. Taxiway A			81,270	11,958		11,958	81,270
2011 Obstruction Removal			25,863	3,388		3,388	25,863
2012 Runway Feasibility - Phase II			20,850	1,680		26,401	20,850
2013 Wildlife Hazard Plan			7,093	3,195		3,195	3,195
2013 Environmental Assessment Runway 5-23			53,242				
			<u>194,128</u>	<u>22,049</u>		<u>46,770</u>	<u>136,988</u>
Department of Health							
Influenza H1N1							
			3,070			3,070	3,070
			<u>3,070</u>			<u>3,070</u>	<u>3,070</u>
Drunk Driving Enforcement Fund							
	1110-448-031020-22						
Program year 2010			19,005			4,420	13,234
Program year 2013			48,915	48,915			
			<u>67,920</u>	<u>48,915</u>		<u>4,420</u>	<u>13,234</u>
Alcohol Education and Rehabilitation Program							
	760-046-4240-001-260						
Program Year 2010			2,664			2,664	2,664
Program Year 2011			7,173			6,173	7,173
Program Year 2012			6,098			1,163	3,663
Program Year 2013			2,955				
			<u>18,890</u>			<u>10,000</u>	<u>13,500</u>

TOWN OF MORRISTOWN
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR FISCAL YEAR ENDED DECEMBER 31, 2013

Schedule B
 Page 2 of 3

State Funding Department and and Description	Grant Number	C.F.D.A. No.	Award Amount	Funds Received	Canceled	12/31/13 Expenditures	Cumulative Expenditures
State Affordable Housing Grant Program Year 2007	100 022 8050 184		\$ 12,500	\$	\$	\$	\$
			<u>12,500</u>				
NJ Highlands Water Protection and Planning Program Year 2005			12,500				
			<u>12,500</u>				
Recycling Tonnage Grant Program Year 2008	4900-752-178840-60		16,009			16,009	16,009
Program Year 2009			31,415			23,282	24,330
Program Year 2010			22,893				16,571
Program Year 2012			35,838				50,800
Program Year 2013			36,324	36,324			
			<u>142,479</u>	<u>36,324</u>		<u>39,291</u>	<u>107,710</u>
Clean Communities Grant Program Program Year 2009	4900-765-178900		24,918			17,585	21,922
Program Year 2010			25,923				25,135
Program Year 2011			25,567				21,985
Program Year 2012			25,642				26,410
Program Year 2013			29,546	29,546			
			<u>131,596</u>	<u>29,546</u>		<u>17,585</u>	<u>95,452</u>
Department of Community Affairs 2010 Lead Testing Grant	100 022 8020 076		29,890			895	29,890
			<u>29,890</u>			<u>895</u>	<u>29,890</u>
Body Armor Replacement Fund Program Year 2006	1020-718-0661020-001		5,367				224
Program Year 2008			12,199				5,715
Program Year 2010			6,595			580	6,595
Program Year 2012			9,897			7,097	9,897
Program Year 2013			6,437	6,437		2,623	2,623
			<u>40,495</u>	<u>6,437</u>		<u>10,300</u>	<u>22,431</u>
Green Acres- Growth Planning Grant Program Year 2004			4,250				3,250
			<u>4,250</u>				<u>3,250</u>
Department of State Smart Growth Planning Grant Program Year 2002	100 022 8070 039		131,000				122,935
Program Year 2010			12,000				6,000
			<u>131,000</u>				<u>122,935</u>

TOWN OF MORRISTOWN
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR FISCAL YEAR ENDED DECEMBER 31, 2013

Schedule B
 Page 3 of 3

State Funding Department and and Description	Grant Number	C.F.D.A. No.	Award Amount	Funds Received	Canceled	12/31/13 Expenditures	Cumulative Expenditures
Dodge Foundation Office of Sustainability Program Year 2012			\$ 50,000	\$	\$	\$ 25,259	\$ 9,665
			<u>50,000</u>			<u>25,259</u>	<u>9,665</u>
Department of Environmental Protection Garden State Preservation	1424-12-063		487,500	487,500		487,500	487,500
			<u>487,500</u>	<u>487,500</u>		<u>487,500</u>	<u>487,500</u>
Rutgers Mini Grant - Health Program Year 2012			2,500			2,328	2,472
			<u>2,500</u>			<u>2,328</u>	<u>2,472</u>
			<u>\$ 1,328,718</u>	<u>\$ 630,771</u>	<u>\$</u>	<u>\$ 647,418</u>	<u>\$ 1,048,097</u>

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**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE
AWARDS**

**TOWN OF MORRISTOWN
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
DECEMBER 31, 2013**

NOTE 1 GENERAL

The accompanying schedules present the activity of the federal and state awards of the Town of Morristown. The Town is defined in Note 1 to the Town's financial statements. All federal and state financial assistance received from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the schedule of expenditures of federal and state awards.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Town's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Town's financial statements. Financial assistance revenues are reported in the Town's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 572,560	\$ 600,648	\$ 1,173,208
Airport Utility Capital Fund	841,861	46,770	888,631
	<u>\$ 1,414,421</u>	<u>\$ 647,418</u>	<u>\$ 2,061,839</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Town's year end and grant program year.

NOTE 5 DEPARTMENT OF HOMELAND SECURITY

The Town received \$205,347 in 2013 for costs incurred in 2012 related to Super Storm Sandy.

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

- | | | | |
|---|-----------|----------------------|------|
| 1) Material weakness(es) identified | _____ Yes | <u> X </u> | No |
| 2) Significant deficiency(ies) that are not considered to be material weakness(es)? | _____ Yes | <u> X </u> | None |

Noncompliance material to the financial statements noted?	_____ Yes	<u> X </u>	No
---	-----------	----------------------	----

Federal Awards Section

Internal Control over major programs:

- | | | | |
|---|-----------|----------------------|----|
| 1) Material weakness(es) identified | _____ Yes | <u> X </u> | No |
| 2) Significant deficiency(ies) that are not considered to be material weakness(es)? | _____ Yes | <u> X </u> | No |

Type of auditor’s report used on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510 (a) of Circular A-133?	_____ Yes	<u> X </u>	No
--	-----------	----------------------	----

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.106</u>	<u>U.S Department of Transportation – Airport</u>
_____	<u>Improvement Program</u>
<u>16.922</u>	<u>U.S. Department of Justice – Equitable Sharing</u>
_____	<u>Program</u>

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$300,000</u>
---	------------------

Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
--	--------------------------	----------

**TOWN OF MORRISTOWN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2013**

Section I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish between
 Type A and Type B Programs

\$300,000

Auditee qualified as low-risk auditee?

X Yes No

Internal Control over major programs:

1) Material weakness(es) identified

Yes X No

2) Significant deficiency(ies) that are not
 considered to be material weakness(es)?

Yes X No

Type of auditor’s report used on compliance
 for major programs

Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with section .510 (a) of
 Circular A-133?

Yes X No

Identification of major programs:

State Grant/Project Number

Name of State Program

1424-12-063

Department of Environmental Protection
 Garden State Preservation

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Section 2 – Financial Statements Findings

Finding 2013-1

General Ledger(s) and Subsidiary Ledger(s):

Criteria

The Town is required by the State of New Jersey Division of Local Government regulations to implement policies and procedures to ensure that all activity is accurate and complete, as well as the safeguarding of assets.

Condition and Effect

During the course of our audit, it was noted that subsidiary ledgers did not agree to the general ledger. Improvement Authorizations, Grants Receivable and Appropriated, Revenues and Budget need to be in agreement with the general ledger of each fund.

Cause

The condition is a result of the Town not adhering to relevant accounting policies and procedures, as well as maintaining sufficient records and documentation to support transactional activity and balances.

Recommendation

The Town should implement month end closing procedures in order to ensure that activity is being properly reconciled to subsidiary ledgers.

Questioned Costs

There are no known questioned costs.

Management's Response

The Town has implemented month end closing procedures that ensure activity is being reconciled to subsidiary ledgers.

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Finding 2013-2

Account Balance Review:

Criteria

The Town is required by the State of New Jersey Division of Local Government regulations to implement policies and procedures to ensure that all activity is accurate and complete, as well as the safeguarding of assets.

Condition and Effect

During the course of our audit, it was noted that the General Capital Fund have accounts that have remained unchanged for years.

Cause

The condition is a result of the Town not designing, implementing and adhering to relevant accounting policies and procedures, as well as maintaining sufficient records and documentation to support transactional activity and balances.

Recommendation

The grants receivable in the General Capital Fund and certain improvement authorizations in the General Capital Fund should be reviewed and written off, if not collectible; or cancelled, if the projects are completed.

Questioned Costs

There are no known questioned costs.

Management's Response

These accounts will be reviewed and closed out if appropriate.

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Finding 2013-3

Vital Statistics Department:

Criteria

The Town is required by the State of New Jersey Division of Local Government regulations to implement policies and procedures to ensure that all activity is accurate and complete, as well as the safeguarding of assets.

Condition and Effect

During the course of our engagement, it was noted that cash collected by the Vital Statistic's Department was not deposited within 48 hours of receipt. The effect was to understate the Finance department cash and to understate revenue. In addition, the requirement to remit funds within 48 hours is a statutory requirement, of which the Town is non-compliant with N.J.S.A. 40A:5-15. Additionally, this department does not include itemized detail on the summary of receipts forms, thus there is no way to determine what portion of each deposit relates to the type of fee being charged; there is no way to verify that the department is charging the correct amount to customers. Monthly summaries are not generated, thus it is difficult to reconcile collections to the Finance department records.

Cause

The condition is a result of the Town not designing, implementing and adhering to relevant accounting policies and procedures, as well as maintaining sufficient records and documentation to support transactional activity and balances.

Recommendation

The Town should implement new forms for cash receipts and month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to individual revenue types. All revenue collected by this department be included in monthly reports and reconciled to amounts turned over to the Finance department.

Questioned Costs

There are no known questioned costs.

Management's Response

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Finding 2013-4

Clerk's Department:

Criteria

The Town is required by the State of New Jersey Division of Local Government regulations to implement policies and procedures to ensure that all activity is accurate and complete, as well as the safeguarding of assets.

Condition and Effect

During the course of our engagement, it was noted that cash collected by the Clerk's Department was not deposited within 48 hours of receipt was not in agreement with the Finance department records. The effect was to understate the Finance department cash and to understate revenue. In addition, the requirement to remit funds within 48 hours is a statutory requirement, of which the Town is non-compliant with N.J.S.A. 40A:5-15.

Cause

The condition is a result of the Town not designing, implementing and adhering to relevant accounting policies and procedures, as well as statutory requirements, with respect to internal controls over the cash function.

Recommendation

The Town should review current policies and procedures with respect to statutory requirements, as well as implement procedures in order to ensure that all required funds are deposited on a timely basis. All funds should be deposited according to statute and monthly receipts should be reconciled to the Finance department.

Questioned Costs

There are no known questioned costs.

Management's Response

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Finding 2013-5

Municipal Court:

Criteria

The Town is required by the State of New Jersey Division of Local Government regulations to implement policies and procedures to ensure that all activity is accurate and complete, as well as the safeguarding of assets.

Condition and Effect

During the course of our engagement, it was noted that the General and Bail Accounts have old outstanding checks. The effect was to potentially have an incorrect cash balance and other accounts being incorrect, resulting in the financial statements not being accurate and complete and the potential of the Town not being in compliance with statutory and/or regulatory requirements. In addition, the Court needs to reconcile their revenues to the Finance department on a monthly basis.

Cause

The condition is a result of the Town not designing, implementing and adhering to relevant accounting policies and procedures, as well as statutory requirements with respect to internal controls over cash.

Recommendation

The Town should implement reconciliation procedures in order to ensure that activity is being properly recorded, classified and reconciled.

Management's Response

The Town has implemented reconciliation procedures in order to ensure that activity is being properly recorded, classified and reconciled.

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Finding 2013-6

Payroll Reconciliations

Criteria

The Town of Morristown is required by the State of New Jersey Division of Local Government regulations to implement policies and procedures to ensure that all activity is accurate and complete, as well as the safeguarding of assets.

Condition and Effect

During the course of our engagement, it was noted that the payroll and payroll deductions checking accounts has not been properly reconciled. The effect was to potentially have an incorrect cash balance and other accounts being incorrect, resulting in the financial statements not being accurate and complete and the potential of the Town of Morristown not being in compliance with statutory and/or regulatory requirements. In addition, the lack of internal controls over the cash function could result in misappropriation of assets.

Cause

The condition is a result of the Town of Morristown not adhering to relevant accounting policies and procedures, as well as statutory requirements with respect to internal controls over cash.

Recommendation

The Town of Morristown should implement reconciliation procedures in order to ensure that activity is being properly recorded, classified and reconciled.

Questioned Costs

There are no known questioned costs.

Management's Response

Management is in the process of evaluating accounting policies and procedures, including record and documentation retention to support transaction activity and balances. This includes developing and implementing month end closing procedures, reconciliations, account analysis and monitoring processes.

Status

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Part III – Major Federal and State Awards Findings and Questioned Costs

NONE

**TOWN OF MORRISTOWN
MORRIS COUNTY, NEW JERSEY**

PART III

**SUPPLEMENTARY DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2013**

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

**COMPARTIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2013</u> <u>Amount</u>	<u>Percent</u>	<u>Year 2012</u> <u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 2,000,000	2.68%	\$ 1,460,000	1.95%
Miscellaneous – From Other Than Local				
Property Tax Levies	14,487,123	19.40	15,043,325	20.11
Collection of Delinquent Taxes	487,534	.66	427,089	.57
Collection of Current Tax Levy	55,559,080	75.73	57,561,659	76.96
Other Credits to Income	<u>1,143,712</u>	<u>1.53</u>	<u>771,494</u>	<u>0.41</u>
Total Income	<u>74,677,449</u>	<u>100.00%</u>	<u>75,263,567</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	37,682,747	52.60%	36,265,863	50.93%
Transfer to Board of Education	187,159	0.26	188,326	0.26
County Taxes	6,544,512	9.14	6,849,239	9.62
Regional School Taxes	27,210,212	38.00	28,623,755	38.80
Other Expenditures	<u> </u>	<u> </u>	<u>677,896</u>	<u>0.39</u>
Total Expenditures	<u>71,624,630</u>	<u>100.00%</u>	<u>71,605,079</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	3,052,819		3,658,488	
Plus: Deferred Charges			279,100	
Fund Balance, Beginning of Year	<u>4,033,623</u>		<u>1,556,035</u>	
	7,086,442		5,493,623	
Less Utilization as Anticipated Revenue	<u>2,000,000</u>		<u>1,460,000</u>	
Fund Balance, End of Year	<u>\$ 5,086,442</u>		<u>\$ 4,033,623</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
SEWER UTILITY OPERATING FUND**

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 10,000	0.12%	\$ 325,000	3.70%
Sewer Rents	8,026,359	92.34	8,008,554	91.20
Miscellaneous Revenue Anticipated	521,342	6.00	447,377	5.10
Other Credits to Income	<u>134,824</u>	<u>1.54</u>	<u> </u>	<u> </u>
Total Income	<u>8,692,525</u>	<u>100.00%</u>	<u>9,026,174</u>	<u>100.00%</u>
 EXPENDITURES				
Budget Expenditures				
Operating	1,910,978	35.08%	1,9125,296	29.52%
Capital Improvements	1,013,000			
Debt Service	2,316,776	42.53	4,510,104	69.62
Statutory Expenditures	<u>206,716</u>	<u>3.80</u>	<u>56,000</u>	<u>0.86</u>
Total Expenditures	<u>5,447,470</u>	<u>100.00%</u>	<u>6,478,400</u>	<u>100.00%</u>
Excess in Revenue	3,245,055		2,302,531	
Emergency			143,700	
Adjustment to Income Before Fund Balance				
Anticipated Surplus Appropriated to				
Current Fund Balance	<u>3,000,000</u>		<u>2,435,000</u>	
Statutory Excess in Revenue to Fund Balance	245,055		11,231	
Fund Balance, Beginning of Year	<u>24,026</u>		<u>337,795</u>	
	269,081		349,036	
Decreased by:				
Utilization by Sewer Operating Budget	<u>10,000</u>		<u>325,000</u>	
Fund Balance, End of Year	<u>\$ 259,081</u>		<u>\$ 24,026</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
AIRPORT UTILITY OPERATING FUND**

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 20,000	8.75%	\$ 10,000	4.90%
Lease Rents	202,528	88.91	189,080	92.65
Non-Budget Revenue	1,238	0.55	1	0.00
Other Credits to Income	<u>5,000</u>	<u>2.19</u>	<u>5,000</u>	<u>2.45</u>
Total Income	<u>228,766</u>	<u>100.00%</u>	<u>204,081</u>	<u>100.00%</u>
 EXPENDITURES				
Budget Expenditures				
Operating	<u>5,000</u>	<u>100.00%</u>	<u>5,000</u>	<u>100.00%</u>
Total Expenditures	<u>5,000</u>	<u>100.00%</u>	<u>5,000</u>	<u>100.00%</u>
Excess in Revenue	223,766		199,081	
Adjustment to Income Before Fund Balance				
Anticipated Surplus Appropriated to Current Fund Balance	<u>204,000</u>		<u>194,000</u>	
Statutory Excess in Revenue to Fund Balance	19,766		5,081	
Fund Balance, Beginning of Year	<u>31,240</u>		<u>36,159</u>	
	51,006		41,240	
Decreased by:				
Utilized as Anticipated Revenue	<u>20,000</u>		<u>10,000</u>	
Fund Balance, End of Year	<u>\$ 31,006</u>		<u>\$ 31,240</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$ 2.585</u>	<u>\$ 2.615</u>	<u>\$ 2.635</u>
<u>Appointment of Tax Rate</u>			
Municipal	1.013	1.016	1.061
County	.298	.307	.311
Library	.039	.041	
Regional School	1.235	1.251	1.263
 <u>Assessed Valuation</u>			
2013	<u>\$ 2,203,086,971</u>		
2012		<u>\$ 2,223,416,160</u>	
2011			<u>\$ 2,222,943,460</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>Cash Collections</u>	<u>Percentage Of Collections</u>
2013	\$ 57,110,536	\$ 56,511,080	98.95%
2012	58,065,575	57,561,659	99.13%
2011	58,700,648	57,981,906	98.77%

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>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total</u>	<u>Percentage Of Collections</u>
2013	\$ 3,046,017	\$ 84,680	\$ 3,130,697	5.49%
2012	3,061,473	71,034	3,132,507	5.39%
2011	2,997,031	57,911	3,054,942	5.20%

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

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>
2013	\$2,193,200
2012	1,551,200
2011	1,551,200

Comparison of Sewer Utility Levies and Collections

<u>Year</u>	<u>Levy</u>	<u>Cash Collections (*)</u>	<u>Percentage of Collection</u>
2013	\$7,972,276	\$8,026,359	100.28%
2012	8,063,130	8,008,554	99.32
2011	8,095,624	8,091,279	99.94

* Includes collection of prior year receivables

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2013	\$5,086,442	\$1,700,000
	2012	4,033,623	2,000,000
	2011	1,556,035	1,460,000
	2010	2,531,650	1,923,000
	2009	1,984,055	1,700,000
Sewer Utility Operating Fund	2013	259,081	
	2012	24,026	20,000
	2011	337,795	325,000
	2010	570,547	325,000
	2009	618,420	300,000
Airport Utility Operating Fund	2013	31,006	20,000
	2012	31,240	10,000
	2011	36,159	10,000
	2010	41,059	10,000
	2009	45,533	10,000

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
Timothy P. Dougherty	Mayor		
Michelle Dupree- Harris	Council Member – President		
Rebecca Feldman	Council Member – Vice President		
Raline Smith Reed	Council Member		
Stefan Armington	Council Member		
Allison Deeb	Council Member		
Michael Elms	Council Member		
Michael F. Rogers	Business Administrator		
Matthew Stechauner	Town Clerk		
Ann Cucci	Chief Financial Officer and Treasurer	\$ 1,000,000	Garden State Municipal Joint Ins. Fund
Linda Winstead	Tax Collector	1,000,000	Garden State Municipal Joint Ins. Fund
Kevin Esposito	Tax Assessor		
Robin Kesselmeier	Deputy Town Clerk		
Richard Fernicola	Superintendent of Public Works		
Joel Rutkowski	Public Works Supervisor		
John Dean	Wastewater Treatment Supervisor		
Vijayant Pawar	Director of Law/Municipal Attorney		
Elnardo Webster	Assistant Municipal Attorney		
Terry Webb	Public Defender		
Robert Rudy III	Municipal Prosecutor		
Jeff Hartke	Engineer/DPW Director		
Michael Noonan	Magistrate	1,000,000	Garden State Municipal Joint Ins. Fund
Gary F. Troxell	Magistrate	1,000,000	Garden State Municipal Joint Ins. Fund
Mary Ann Dillion	Court Administrator	1,000,000	Garden State Municipal Joint Ins. Fund
Yogesh Dave	Deputy Court Administrator		
Denise Hughey	Deputy Court Administrator		
K. Peter Demnitz	Chief of Police		
Robert Flanagan	Fire Chief		
Joseph Costa	Director of Code Enforcement		
James Gonroski	Plumbing Sub-Code Official		
Fritz Reuss	Construction Official/Building Sub-code Official		
William O'Connor	Electrical Sub-code Official		
Edward Pehowic, Jr.	Fire Sub-code Official		
Darlene O'Connell	Health Officer		
James Cambell	Zoning Officer		
Timothy Roetman	Recreation Manager		

All surety bonds were presented for examination and were properly executed.

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

N.J.S.A.40A: 11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding 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 \$36,000, except by contract or agreement."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000 within the fiscal year.

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

Our examination of expenditures did not reveal any payments for contracts or agreements in excess of \$36,000 "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.

Pension Eligibility

The State of New Jersey enacted legislation under Ch. 92 P.L. 2007 and codified under N.J.S.A. 43:15A-7.2 and 43:15c-2b(4). The law establishes that individuals performing professional services 1) under a contract awarded pursuant to N.J.S.A 40A:11.5 and 1 or 2 under an independent contract as determined in accordance with rules and policy of the IRS are eligible for membership in the State's Pension System - PERS. There were no "grandfathering" provisions under N.J.S.A. 43:15A-7.2. The municipalities were required to remove them from the pension roles.

It appears there are no individuals who are enrolled in PERS who do not meet the requirements under the statutes.

Collection of Interest of Delinquent Taxes, Assessments and Sewer Charges

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

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

The Governing Body on January 1, 2013 adopted the following resolution authorizing interest to be charged on delinquent taxes and sewer accounts:

BE IT FURTHER RESOLVED, that the interest charged on 2013 delinquencies on Tax and/or Sewer by the Tax Collector shall be 8% per annum on the first \$1,500 and 18% on any amount in excess of \$1,500 per N.J.S.A. 54:5-6.

BE IT FURTHER RESOLVED, that no interest shall be charged if payment of any installment is made within TEN (10) calendar days of the due date. If the tenth day falls on a Saturday, Sunday or legal holiday, then the grace period shall be extended to the next business day; and

BE IT FURTHER RESOLVED, that the Collector is authorized to transfer amounts of \$5 or less to surplus per N.J.S.A.-C40A:5-17.1.

BE IT FURTHER RESOLVED, that the fee charged for checks returned due to insufficient funds or any other reasons shall be \$25.00, and shall be charged when collecting return check amounts.

BE IT FURTHER RESOLVED, that the fee charged for providing a duplicate bill shall be \$5.00

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution except as previously noted,

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 19, 2013. Amounts not included in this sale were for amounts in litigation.

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

<u>Year</u>	<u>Number of Liens</u>
2013	3
2012	3
2011	1

RECOMMENDATIONS

1. *General ledgers and subsidiary ledgers should be agreed to each other on a monthly basis.
2. Old improvement authorizations should be reviewed and possibly written-off with associated grants receivable.
3. Old outstanding checks in the Municipal Court should be reviewed and written-off, if appropriate.
4. *All revenues collected by Clerk's Office and Vital Statistics Department should be properly recorded and reconciled on a monthly basis to amounts recorded by the finance department. All deposits should be made within 48 hours.

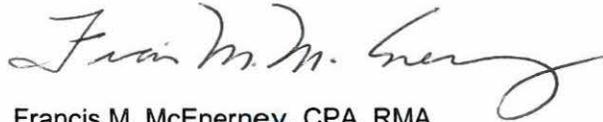
**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

A review was performed on all prior year recommendations and corrective action was taken on all, except those recommendations denoted with an asterisk (*).

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.



Livingston, New Jersey
June 27, 2014



Francis M. McEnerney, CPA, RMA
Registered Municipal Accountant #539