



**TOWN OF MORRISTOWN  
MORRIS COUNTY, NEW JERSEY  
REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2012**

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

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
YEAR ENDED DECEMBER 31, 2012**



McENERNEY, BRADY & COMPANY, LLC  
Certified Public Accountants

## 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, 2012 and 2011, the statements of revenues, expenditures and changes in fund balances for the year ended December 31, 2012 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") as discussed in Note 1 further 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 Adverse 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.

**Adverse 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, 2012 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, 2012, 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.

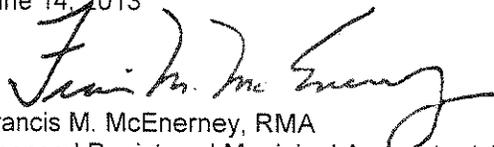
The information included in the supplemental sections and schedules of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 14, 2013 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 14, 2013



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

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

A  
Sheet # 1

ASSETS	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING FUND</b>			
Cash and Cash Equivalents - Treasurer	A-4	\$ 11,461,934	\$ 10,380,620
Cash - Change Funds	A-5	250	250
Due from State Senior Citizen and Veterans	A-7	858	1,358
		<u>11,463,042</u>	<u>10,382,228</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-8	3,061,473	2,997,031
Special Improvement District Taxes Receivable	A-9	6,254	73,181
Tax Tile Lien Receivable	A-10	71,034	57,911
Demolition Liens	A-11	2,946	2,946
Property Acquired for Taxes - Assessed Valuation	A-12	1,551,200	1,551,200
Revenue Accounts Receivable	A-13	42,846	58,088
Due from Southeast Morris County MUA	A-15	1,950,000	1,980,000
Due from State - Other	A-29	4,525	4,525
Due from Payroll Agency	A-17		13,288
Due from General Capital	A-17	288,272	
Due from Airport Operating Fund	A-17	59,541	
Due from Self Insurance	A-17	37,997	
Due from Airport Capital Fund	A-17	235,171	
		<u>7,311,259</u>	<u>6,738,170</u>
Over-expenditure of Budget Appropriations	A-35		9,015
Deferred Charges	A-35	279,100	90,000
		<u>279,100</u>	<u>99,015</u>
<b>Total Regular Fund</b>		<u>19,053,401</u>	<u>17,219,413</u>
<b>GRANT FUND</b>			
Cash	A-4	123,021	112,584
Grant Receivable	A-30	870,263	1,205,370
Due from Current Fund	A-31	21,034	6,000
		<u>1,014,318</u>	<u>1,323,954</u>
<b>Total</b>		<u>\$ 20,067,719</u>	<u>\$ 18,543,367</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARTIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

A  
Sheet # 2

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	A-3,A-14	\$ 1,399,347	\$ 826,827
Encumbrances Payable	A-16	549,833	714,555
Accounts Payable	A-18	66,851	66,851
Prepaid Taxes	A-21	252,818	266,507
Prepaid Special Improvement District Taxes	A-22		10,901
Tax Overpayments	A-23	328,005	653,406
Special Improvement District Tax Overpayments	A-24	11,550	2,524
Special Improvement District Taxes Payable	A-25	65,517	127,450
County Taxes Payable	A-19	1,338	26,082
Regional School Taxes Payable	A-20	74,168	2,174,128
Due to Grant Fund	A-17	21,034	6,000
Due to Dog Fund	A-17	1,893	
Due to Trust - Other	A-17	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	4,500,000	4,000,000
Miscellaneous Reserves	A-27	47,788	47,788
		<u>7,708,519</u>	<u>8,925,207</u>
Reserve for Receivables and Other Assets		7,311,259	6,738,170
Fund Balance	A-1	<u>4,033,623</u>	<u>1,556,035</u>
Total Regular Fund		<u>19,053,401</u>	<u>17,219,412</u>
GRANT FUND			
Encumbrances Payable	A-32	76,089	117,700
Due to General Capital	A-4	100,000	
Reserve for Appropriated Grants	A-33	838,129	1,206,155
Reserve for Unappropriated Grants	A-34	100	100
Total Grant Fund		<u>1,014,318</u>	<u>1,323,955</u>
Total		<u>\$ 20,067,719</u>	<u>\$ 18,543,367</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

A-1

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 1,460,000	\$ 1,923,000
Miscellaneous Revenue Anticipated	A-2	11,515,433	12,109,954
Delinquent Taxes	A-2	427,089	315,006
Current Taxes	A-2	57,561,659	57,981,906
Non-Budget Revenue	A-2	3,428,300	431,078
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	290,796	316,076
Cancellation of Special District Taxes Receivable	A-9	66,927	
Tax Overpayments Cancelled	A-23	496,179	
Cancellation of Encumbrances	A-16	17,184	
		<u>75,263,567</u>	<u>73,077,020</u>
Total Revenues			
Expenditures:			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	13,525,890	13,951,395
Other Expenses	A-3	13,446,789	13,419,186
Capital Improvements	A-3	45,000	45,000
Municipal Debt Service	A-3	5,779,324	5,943,557
Deferred Charges and Statutory Expenditures	A-3	3,468,860	3,672,990
Transferred to Regional School Board of Education	A-3	188,326	207,654
County Taxes	A-19	6,426,458	6,380,294
County Open Space Taxes	A-19	421,443	504,786
Due to County - Added Taxes	A-19	1,338	26,082
Regional School Taxes	A-20	27,623,755	28,073,030
Prior Year's Revenue - Equitable Sharing	A-17	70,204	
Due to State			4,526
Interfunds Created	A-17	607,692	150
		<u>71,605,079</u>	<u>72,228,650</u>
Total Expenditures			
Excess in Revenues		3,658,488	852,896
Add: Expenditures Included above Which by Statute are Deferred Charges to Succeeding Years Budget	A-3	279,100	99,015
Statutory Excess in Fund Balance		3,937,588	947,385
Fund Balance, Beginning of Year	A	1,556,035	2,531,650
		<u>5,493,623</u>	<u>3,479,035</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	1,460,000	1,923,000
Fund Balance, End of Year	A	<u>\$ 4,033,623</u>	<u>\$ 1,556,035</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

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	\$ 1,460,000	\$	\$ 1,460,000	\$
Miscellaneous Revenues					
Licenses:					
Alcoholic Beverages	A-13	91,000		91,250	250
Other	A-13	130,000		120,067	(9,933)
Fees and Permits	A-13	415,000		428,665	13,665
Municipal Court - Fines and Costs	A-13	946,000		864,207	(81,793)
Interest on Investments and Deposits	A-13	1,000		489	(511)
Annual Fee - S.M.C.M.U.A.	A-15	30,000		30,000	
Swimming Pool Fees	A-13	140,000		149,939	9,939
Lease Agreement - S.D.C.	A-13	1,625,000		1,625,448	448
Cablevision Fees	A-13	240,000		240,764	764
Equitable Sharing US Treasury Law Enforcement		210,000			(210,000)
Energy Receipts Tax	A-13	2,682,420		2,682,420	
Consolidated Municipal Property Tax Relief Aid	A-13	186,179		186,179	
Uniform Construction Code Fees	A-13	736,000		846,170	110,170
Animal Control Agreements	A-13	44,000		45,120	1,120
Clean Community Grant	A-30	25,642		25,642	
Rutgers NJ Quality Improvement Mini Grant	A-30	2,500		2,500	
Body Armor Fund	A-30	4,931		4,931	
Body Armor Fund - 2012	A-30		4,966	4,966	
NJ DOT-Safe Streets to Transit (Morristown Stn)	A-30	85,000		85,000	
NJ DOT Municipal Aid-South St Phase III	A-30	185,000		185,000	
County of Morris - Caldwell Avenue Playground	A-30		32,400	32,400	
Alcohol Education & Rehab.	A-30		6,098	6,098	
Dodge Foundation - Office of Sustainability	A-30		50,000	50,000	
Recycling Tonnage Grant	A-30		35,838	35,838	
Interest & Costs on Taxes	A-13	122,000		139,096	17,096
Utility Operating Surplus - Airport Utility	A-13	194,000		194,000	
Rental of Property - Leases	A-13	210,000		228,404	18,404
Police Outside Duty - Administration Fees	A-13	95,000		105,740	10,740
Contribution from Sewer Utility for Indirect Costs	A-13	131,000		131,000	
Hotel/Motel Tax	A-13	371,000		357,247	(13,753)
Uniform Fire Safety Act	A-13	51,000		50,778	(222)
Rent Leveling Registration	A-13	61,000		63,280	2,280
Fire Bureau EMS Revenue Recovery	A-13	50,000		67,795	17,795
Anticipated Sewer Utility Operating Surplus	A-13	2,435,000		2,435,000	
<b>Total Miscellaneous Revenues</b>	A-1	<b>11,499,672</b>	<b>129,302</b>	<b>11,515,433</b>	<b>(113,541)</b>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

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-1,8	\$ 325,000		\$ 427,089	\$ 102,089
		<u>13,284,672</u>	<u>129,302</u>	<u>13,402,522</u>	#VALUE!
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	<u>23,504,614</u>		<u>23,815,595</u>	<u>310,981</u>
Budget Revenues	A-3	<u>\$ 36,789,286</u>	<u>\$ 129,302</u>	37,218,117	#VALUE!
Non-Budget Revenues	A-2			<u>3,428,300</u>	
				<u>\$ 40,646,417</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

A-2  
Sheet # 3

	<u>Ref.</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collection		
Revenue from Collection	A-1,A-8	\$ 57,561,659
Allocated to Regional School and County Taxes	A-19,A-20	<u>34,472,994</u>
		23,088,665
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>726,930</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 23,815,595</u></u>
Miscellaneous Revenue Not Anticipated		
Sale of Municipal Assets		\$ 1,996
Sale of Municipal Assets - DPW		2,896,235
Prior Year Refunds		10,275
FEMA Recovery		199,155
Public Works - Recycling		131,793
Payment in Lieu of Taxes		13,745
Other		<u>178,479</u>
	A-4	\$ 3,431,677
Other Miscellaneous Items - Net		<u>(3,377)</u>
	A-2	<u><u>\$ 3,428,300</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

A-3  
Sheet # 1

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Over- Expenditures</u>
GENERAL APPROPRIATIONS						
OPERATIONS WITHIN "CAPS"						
Department of Administration						
Town Clerk						
Salaries and Wages	\$ 348,080	\$ 348,080	\$ 347,457	\$ 623	\$	\$
Other Expenses	38,450	45,850	44,826	1,024		
Business Administrator						
Salaries and Wages	256,490	256,490	256,490			
Other Expenses	27,000	25,000	20,939	4,061		
Purchasing						
Salaries and Wages						
Other Expenses	208,400	220,400	190,915	29,485		
Department of Public Safety						
Police (Includes Emergency)						
Salaries and Wages	5,326,890	5,451,890	5,409,092	42,798		
Other Expenses	186,100	190,400	176,137	14,263		
Fire						
Salaries and Wages	2,781,230	2,760,230	2,726,526	33,704		
Other Expenses	167,000	182,800	182,491	309		
Fire Truck Lease	58,000	58,000	57,627	373		
Emergency Management Services						
Salaries and Wages	8,000	8,000	4,999	3,002		
Other Expenses	10,000	10,000	6,404	3,596		
Treasurer						
Salaries and Wages	223,700	215,500	212,768	2,732		
Other Expenses	107,220	115,420	103,423	11,997		
Tax Collector						
Salaries and Wages	229,960	228,660	226,542	2,118		
Other Expenses	24,865	26,165	23,972	2,193		
Tax Assessor						
Salaries and Wages	43,000	43,000	43,000			
Other Expenses	228,850	303,850	273,155	30,695		
Public Health						
Salaries and Wages	244,460	244,460	240,110	4,350		
Other Expenses	14,260	14,260	13,966	294		
Recreation Administration						
Salaries and Wages	224,690	224,690	223,491	1,199		
Other Expenses	37,995	37,995	33,014	4,981		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

A-3  
Sheet # 2

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Over- Expenditures</u>
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Department of Human Services (Continued)						
Burnham Pool						
Salaries and Wages	\$ 103,000	\$ 100,500	\$ 100,426	\$ 74	\$	\$
Other Expenses	44,921	49,521	46,348	3,173		
Aging						
Salaries and Wages	14,820	14,820	14,568	252		
Other Expenses	5,050	5,050	4,327	723		
Rent Leveling						
Salaries and Wages	72,670	72,670	72,669	1		
Other Expenses	1,860	1,860	1,610	250		
Animal Control						
Salaries and Wages	29,530	34,530	33,346	1,184		
Other Expenses	8,270	8,270	7,995	275		
Code Enforcement						
Salaries and Wages	293,670	293,670	292,325	1,345		
Other Expenses	7,365	7,365	5,055	2,310		
Department of Public Works						
Public Works						
Salaries and Wages	1,488,320	1,547,320	1,539,265	8,055		
Other Expenses	1,314,420	1,346,920	1,111,794	235,126		
Sanitation and Recycling						
Salaries and Wages	70,520	72,520	72,083	438		
Other Expenses	1,129,050	1,124,550	1,016,831	107,719		
Bus Transportation						
Salaries and Wages	20,280	20,280	18,140	2,140		
Other Expenses	3,000	3,000	900	2,100		
Planning						
Salaries and Wages	188,940	204,940	173,943	30,997		
Other Expenses	150,150	115,150	77,751	37,399		
Engineering Services and Costs						
Salaries and Wages	225,510	225,510	220,541	4,969		
Other Expenses	12,170	12,170	12,170			
Non-Departmental Appropriations						
Legal						
Salaries and Wages	97,970	97,970	97,970			
Other Expenses	250,000	220,000	130,645	89,355		
Municipal Prosecutor						
Salaries and Wages						
Other Expenses	60,000	60,000	47,576	12,424		
Group Hospitalization						
Other Expenses	5,322,800	5,322,800	4,958,182	364,618		
Surety Bond Premiums						
Other Expenses						

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

A-3  
Sheet # 3

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Over- Expenditures</u>
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Other Insurance Premiums						
Other Expenses	\$ 987,126	\$ 987,126	\$ 981,547	\$ 5,579		
Ambulance Squad						
Other Expenses	60,000	60,000	60,000			
Maintenance of the Green						
Other Expenses	20,000	20,000	20,000			
Memorial and Veterans Day Association						
Other Expenses	1,400	1,400		1,400		
Historic Preservation Committee						
Other Expenses	1,000	1,000		1,000		
Morristown Partnership						
Other Expenses	10,000	10,000	10,000			
Morris County Tourist Bureau						
Other Expenses	5,000	5,000	5,000			
Environmental Commission						
Other Expenses	1,000	1,000		1,000		
Municipal Alliance						
Other Expenses	8,000	8,000		8,000		
Project Community Pride						
Other Expenses	24,800	24,800	24,800			
Ten Towns Grt Swmp Watershed Mgmt						
Other Expenses	1,600	1,600		1,600		
Teen Center						
Other Expenses	33,700	33,700	33,700			
Whippany River Coalition						
Other Expenses	1,200	1,200	1,200			
Uniform Construction Code-Appropriations						
Offset by Dedicated Revenues						
(N.J.A.C. 5:23-4.17)						
Salaries and Wages	581,080	581,080	579,395	1,685		
Other Expenses	259,550	259,550	240,205	19,345		
Municipal Court						
Salaries and Wages	475,080	479,080	478,563	517		
Other Expenses	40,550	36,550	27,700	8,850		
Public Defender						
Other Expenses	30,000	19,000	14,819	4,182		
Unclassified						
Reserve for Retirement and Sick Pay	100,000	100,000	97,272	2,728		
Reserve for Salary Increase	164,000	164,000		164,000		
<b>Total Operation Within "CAPS"</b>	<b>24,514,012</b>	<b>24,766,612</b>	<b>23,448,002</b>	<b>1,318,611</b>		
Contingent	5,000	5,000	4,937	63		
<b>Total Operation Including Contingent Within "CAPS"</b>	<b>24,519,012</b>	<b>24,771,612</b>	<b>23,452,940</b>	<b>1,318,673</b>		
Detail:						
Salaries and Wages	13,347,890	13,525,890	13,383,707	142,184		
Other Expenses	11,171,122	11,245,722	10,069,232	1,176,490		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012

A-3  
Sheet # 4

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Over- Expenditures</u>
GENERAL APPROPRIATIONS (Continued)						
DEFERRED CHARGES & STATUTORY EXPENDITURES						
Statutory Expenditures - Contributions to:						
Social Security System (O.A.S.I.) (Emergency)	\$ 620,000	\$ 635,500	\$ 582,438	\$ 53,062	\$	\$
Public Employees Retirement System	755,000	755,000	754,111	889		
Police and Firemen's Retirement System of N.J.	1,947,000	1,947,000	1,945,798	1,202		
Consolidated Police and Firemen's Pension Fund	26,545	26,545	26,403	142		
DCRP	5,800	5,800	5,269	531		
Over-expenditure of Salary and Wages	9,015	9,015	9,015			
Total Deferred Charges & Statutory Expenditures	<u>3,363,360</u>	<u>3,378,860</u>	<u>3,323,034</u>	<u>55,826</u>		
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>27,882,372</u>	<u>28,150,472</u>	<u>26,775,974</u>	<u>1,374,499</u>		
OPERATIONS - EXCLUDED FROM "CAPS"						
Free Public Library						
Direct Aid						
Other Expenses	922,288	922,288	922,288			
Reserve for Tax Appeals	450,000	450,000	450,000			
Interlocal Municipal Services Agreement						
Morris County Radio Dispatch	356,800	356,800	356,318	482		
Animal Control Services - Morris Twp	12,974	12,974	12,974			
Animal Control Services - Harding Twp	6,630	6,630	6,630			
Public and Private Programs Offset by Revenues						
Body Armor Fund	4,931	4,931	4,931			
Body Armor Fund - 159	4,966	4,966	4,966			
Clean Communities Grant	25,642	25,642	25,642			
NJ DOT Municipal Aid Program- South St III	185,000	185,000	185,000			
Rutgers NJ Quality Improv Mini Grant for Health Div	2,500	2,500	2,500			
NJ DOT Safe Streets to Transit (Morristown Stn)	85,000	85,000	85,000			
County of Morris - Caldwell Playground -159	32,400	32,400	32,400			
Alcohol Education & Rehab. - 159	6,098	6,098	6,098			
Dodge Foundation - Office of Sustainability - 159	50,000	50,000	50,000			
Recycling Tonnage - 159	35,838	35,838	35,838			
Grant Matching Funds	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>		
Total Operations - Excluded from "CAPS"	<u>2,201,067</u>	<u>2,201,067</u>	<u>2,180,585</u>	<u>20,482</u>		
Detail:						
Salaries and Wages	13,347,890	13,525,890	13,383,707	142,184		
Other Expenses	<u>13,372,189</u>	<u>13,446,789</u>	<u>12,249,817</u>	<u>1,196,972</u>		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

A-3  
Sheet # 5

	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled	Over- Expenditures
<b>CAPITAL IMPROVEMENTS</b>						
Capital Improvement Fund	\$ 20,000	\$ 20,000	\$ 20,000		\$	\$
Computer/Office Equipment	25,000	25,000	20,634	4,366		
Total Capital Improvements	<u>45,000</u>	<u>45,000</u>	<u>40,634</u>	<u>4,366</u>		
<b>MUNICIPAL DEBT SERVICE</b>						
Payment of Bond Principal	4,445,953	4,445,953	4,445,953			
Payment on Bond Anticipation Notes and Capital Notes	162,000	173,000	173,000			
Interest on Bonds	1,062,786	1,062,786	1,062,372		414	
Interest on Notes	98,000	98,000	98,000			
Total Municipal Debt Service	<u>5,768,739</u>	<u>5,779,739</u>	<u>5,779,324</u>		<u>414</u>	
<b>DEFERRED CHARGE:</b>						
Hurricane Irene EO #73	90,000	90,000	90,000			
<b>TRANSFERRED TO BOARD OF EDUCATION FOR USE OF LOCAL SCHOOLS (N.J.S.A. 40:48-17.1 &amp; 17.3)</b>						
	<u>204,480</u>	<u>204,480</u>	<u>188,326</u>		<u>16,154</u>	
Total Appropriations Excluded from "CAPS"	<u>8,309,286</u>	<u>8,320,286</u>	<u>8,278,869</u>	<u>24,848</u>	<u>16,568</u>	
Sub-Total General Appropriations	36,191,658	36,470,758	35,054,843	1,399,347	16,568	
<b>RESERVE FOR UNCOLLECTED TAXES</b>	<u>726,930</u>	<u>726,930</u>	<u>726,930</u>			
Total General Appropriations	<u>\$ 36,918,588</u>	<u>\$ 37,197,688</u>	<u>\$ 35,781,773</u>	<u>\$ 1,399,347</u>	<u>\$ 16,568</u>	

Ref. A-2

A

Budget	A-2	\$ 36,789,286
Deferred Charge - Emergency	A-35	279,100
Appropriation by N.J.S.A. 40A:4-87	A-2	<u>129,302</u>
		<u>\$ 37,197,688</u>

Cash Disbursed	A-4	\$ 33,080,283
Reserve for Uncollected Taxes	A-2	726,930
Deferred Charge - Emergency	A-35	90,000
Deferred Charge - Over-expenditure	A-35	9,015
Capital Improvement Fund	A-17	20,000
Transferred to Board of Education	A-20	188,326
Debt Service Due to Capital Fund	A-17	235,011
Encumbrances Payable	A-16	549,833
Federal/State Grant Fund	A-33	432,375
Reserve for Tax Appeals	A-23	<u>450,000</u>
		<u>\$ 35,781,773</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
TRUST FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

B

ASSETS	Ref.	<u>2012</u>	<u>2011</u>
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	\$ 39,190	\$ 24,295
Due from Current Fund	B-4	1,893	
		<u>41,083</u>	<u>24,295</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	3,278,591	2,919,689
Due from Restitution Receivable	B-12	5,350	
Due from Current Fund	B-9	137,950	
Due from General Capital Fund	B-15	15,000	15,000
		<u>3,436,891</u>	<u>2,934,689</u>
<b>EQUITABLE SHARING FUND</b>			
Due from Current Fund	B-17	248,239	
<b>SELF INSURANCE FUND</b>			
Cash	B-1	628,991	701,644
		<u>\$ 4,355,204</u>	<u>\$ 3,660,628</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey	B-2	\$ 14	\$ 40
Due to Current Fund	B-4		150
Reserve for Animal Control Expenditures	B-3	41,069	24,105
		<u>41,083</u>	<u>24,295</u>
<b>OTHER TRUST FUND</b>			
Reserve for Police Forfeiture	B-5	27,376	46,660
Reserve for Unemployment Compensation	B-6	140,886	102,765
Reserve for Affordable Housing	B-7	916,948	814,717
Escrow Deposits Payable	B-8	1,177,226	899,462
Reserve for Recreation Programs	B-11	58,329	49,460
Miscellaneous Reserves and Deposits	B-12	929,605	847,399
Payroll Deductions Payable	B-14	186,521	156,026
Due to State of New Jersey (Unemployment)	B-13		5,062
Due to Current Fund	B-9		13,138
		<u>3,436,891</u>	<u>2,934,689</u>
<b>EQUITABLE SHARING FUND</b>			
Reserve for Equitable Sharing	B-18	248,239	
<b>SELF INSURANCE FUND</b>			
Reserve for Self Insurance Expenditures	B-10	590,994	701,644
Due to Current Fund	B-16	37,997	
		<u>628,991</u>	<u>701,644</u>
		<u>\$ 4,355,204</u>	<u>\$ 3,660,628</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

C

ASSETS	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents	C-2	\$ 3,310,546	\$ 1,888,583
Grants Receivable	C-4	125,884	125,884
Interfund - Grant Fund	C-2	100,000	
Deferred Charges to Future Taxation:			
Funded	C-6	22,517,473	27,021,426
Unfunded	C-7	<u>8,391,168</u>	<u>5,367,900</u>
 Total Assets		 <u>\$ 34,445,071</u>	 <u>\$ 34,403,793</u>
<b>LIABILITIES AND FUND BALANCE</b>			
General Serial Bonds	C-11	\$ 22,517,473	\$ 27,021,426
Bond Anticipation Notes	C-10	8,391,168	3,845,900
Capital Improvement Fund	C-15	98,036	136,536
Improvement Authorizations:			
Funded	C-8	1,052,546	1,118,099
Unfunded	C-8	1,793,921	1,738,134
Contracts Payable	C-9	39,659	320,621
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	288,272	
Interfund - Trust	C-5	15,000	15,000
Fund Balance	C-1	<u>185,693</u>	<u>144,774</u>
 Total Liabilities and Fund Balance		 <u>\$ 34,445,071</u>	 <u>\$ 34,403,793</u>
 Bonds and Notes Authorized But Not Issued	 C-16	 <u>\$</u>	 <u>\$ 1,522,000</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

CHANGES IN FUND BALANCE  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

C-1

	<u>Ref.</u>	
Balance, December 31, 2011	C	\$ 144,774
Increased by:		
Premium on Bond Anticipation Notes Sales	C-2	<u>40,919</u>
Balance, December 31, 2012	C	<u>\$ 185,693</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

D  
Sheet # 1

ASSETS	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING FUND</b>			
Cash	D-5	\$ 483,518	\$ 504,863
Interfund Receivable - Water Capital	D-24		269,000
Deferred Charges - Emergency	D-4	143,700	
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	343,441	288,865
Total Operating Fund		<u>970,659</u>	<u>1,062,728</u>
<b>CAPITAL FUND</b>			
Cash	D-5	2,213,299	737,105
Interfund from Operating	D-24	80,386	
Fixed Capital	D-7	68,586,889	68,586,889
Fixed Capital Authorized and Uncompleted	D-8	9,168,465	8,343,465
Total Capital Fund		<u>80,049,039</u>	<u>77,667,459</u>
		<u>\$ 81,019,698</u>	<u>\$ 78,730,187</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

D  
Sheet # 2

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-9	\$ 178,165	\$ 64,632
Encumbrances Payable	D-10	75,460	51,526
Accounts Payable	D-11		6,387
Interfund to Capital	D-24	80,386	
Overpayments	D-12	32,383	37,283
Accrued Interest on Bonds and Notes	D-14	236,798	276,240
		<u>603,192</u>	<u>436,068</u>
Reserve for Receivables	D	343,441	288,865
Fund Balance	D-1	<u>24,026</u>	<u>337,795</u>
 Total Operating Fund		 <u>970,659</u>	 <u>1,062,728</u>
 CAPITAL FUND			
Serial Bonds	D-18	11,042,522	14,931,570
Bond Anticipation Notes	D-19	6,725,018	4,151,500
Improvements Authorizations			
Funded	D-23	10,972	10,972
Unfunded	D-23	1,068,879	2,463,092
Contracts Payable	D-20	1,907,546	275,153
Reserve for Sewer Connection Fees	D-17	108,420	234,725
Reserve for Refunding Bond Insurance Costs	D-13		5,123
Reserve for Amortization	D-21	57,543,370	53,654,322
Deferred Reserve for Amortization	D-22	1,526,763	1,526,763
Capital Improvement Fund	D-15	62,000	62,000
Interfund Payable - Operating Fund	D-24		269,000
Fund Balance	D-2	<u>53,549</u>	<u>83,239</u>
 Total Capital Fund		 <u>80,049,039</u>	 <u>77,667,459</u>
		 <u>\$ 81,019,698</u>	 <u>\$ 78,730,187</u>
 Bonds and Notes Authorized But Not Issued	 D-25	 <u>\$ 1,410,697</u>	 <u>\$ 3,162,697</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, 2012 AND 2011

D-1

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-3	\$ 325,000	\$ 325,000
Sewer Rents	D-3	8,008,554	8,091,279
Miscellaneous Revenue Anticipated	D-3	447,377	591,323
Other Credits to Income			
Unexpended Balance of Appropriation Reserves			18,572
		<hr/>	<hr/>
Total Income		8,780,931	9,026,174
		<hr/>	<hr/>
<b>EXPENDITURES</b>			
Operating	D-4	1,912,296	1,772,643
Debt Service	D-4	4,510,104	4,506,583
Statutory Expenditures	D-4	56,000	54,700
		<hr/>	<hr/>
Total Expenditures		6,478,400	6,333,926
		<hr/>	<hr/>
Excess in Revenue		2,302,531	2,692,248
Add: Expenditures Included Above Which by Statute are Deferred Charges to Succeeding Years	D-4	143,700	
Adjustments to Income Before Fund Balance Anticipated Surplus Appropriated to Current Fund Budget	D-4	2,435,000	2,600,000
		<hr/>	<hr/>
Statutory Excess to Fund Balance		11,231	92,248
Fund Balance, Beginning of Year	D	337,795	570,547
		<hr/>	<hr/>
		349,026	662,795
Decreased by:			
Utilization by Sewer Operating Budget	D-1, D-3	325,000	325,000
		<hr/>	<hr/>
Fund Balance, End of Year	D	\$ 24,026	\$ 337,795
		<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

D-2

	<u>Ref.</u>		
Balance, December 31, 2011	D	\$	83,239
Increased by:			
Opening Adjustment			58
Premium on Sale of Bond Anticipation Note	D-5		51,773
			135,070
Decreased by:			
Anticipated Revenue by Operating Fund	D-24		81,521
			81,521
Balance, December 31, 2012	D	\$	53,549

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

D-3

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 325,000	\$ 325,000	\$
Sewer User Fees	D-1,D-6	8,088,000	8,008,554	(79,446)
Reserve for Refunding Bond Insurance Costs	D-1,D-24	5,123	5,123	
Capital Fund Balance	D-1,D-24	81,521	81,521	
Miscellaneous				
Sale of SREC's	D-1,D-3	130,000	90,821	(39,179)
Late Fees	D-1,D-3	33,000	35,912	2,912
Sewer Connection Fees	D-1,D-24	234,000	234,000	
	D-4	\$ 8,896,644	\$ 8,780,931	\$ (115,713)
Other Miscellaneous:				
Interest Income	D-24		\$ 30	
			\$ 30	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

D-4

	Appropriated		Expended		Unexpended Balance Cancelled	
	Budget	Budget After Modification	Paid or Charged	Reserved		
<b>OPERATING</b>						
Salaries and Wage (Emer.)	\$ 711,846	\$ 715,546	\$ 713,250	\$ 2,296	\$	
Other Expenses (Emer.)	574,250	714,250	604,881	109,369		
Other Sewer Expenses	482,500	482,500	472,000	10,500		
<b>Total Operating</b>	<b>1,768,596</b>	<b>1,912,296</b>	<b>1,790,131</b>	<b>122,165</b>		
<b>DEBT SERVICE</b>						
Payment on Bond Principal	3,889,048	3,889,048	3,889,047		1	
Payment on Note Principal	75,000	75,000	3,482		71,518	
Interest on Bonds	605,000	605,000	568,320		36,680	
Interest on Notes	68,000	68,000	49,255		18,745	
<b>Total Debt Service</b>	<b>4,637,048</b>	<b>4,637,048</b>	<b>4,510,104</b>		<b>126,944</b>	
<b>STATUTORY EXEPNDITURES</b>						
Social Security System (O.A.S.I)	56,000	56,000		56,000		
<b>Surplus (General Budget)</b>	<b>2,435,000</b>	<b>2,435,000</b>	<b>2,435,000</b>			
	<b>\$ 8,896,644</b>	<b>\$ 9,040,344</b>	<b>\$ 8,735,235</b>	<b>\$ 178,165</b>	<b>\$ 126,944</b>	
	<u>Ref.</u>	D-3		D-1	D	D-1
Budget as adopted			\$ 8,896,644			
Emergency		D	143,700			
			<u>\$ 9,040,344</u>			
Cash Disbursements		D-5		\$ 5,856,977		
Encumbrances Payable		D-10		75,460		
Accrued Interest on Bonds and Notes		D-14		236,798		
Due to Current Fund		D-16		2,566,000		
				<u>\$ 8,735,235</u>		

See accompanying notes to financial statements.

TOWNSHIP OF MORRISTOWN  
AIRPORT UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

ASSETS	Ref.	<u>2012</u>	<u>2011</u>
<b>OPERATING FUND</b>			
Cash - Treasurer	E-5	\$ 95,730	\$ 41,109
Cash - Petty Cash Fund	E	<u>50</u>	<u>50</u>
Total Operating Fund		<u>95,780</u>	<u>41,159</u>
<b>CAPITAL FUND</b>			
Cash	E-5	215,397	129,874
Fixed Capital	E-7	54,206,479	54,206,479
Fixed Capital Authorized and Uncompleted	E-8	7,293,126	6,564,576
Due from FAA	E-9	2,684,161	3,222,917
Due from State of New Jersey	E-10	156,981	255,014
Due from Lessee	E-11	<u>24,871</u>	<u></u>
Total Capital Fund		<u>64,581,015</u>	<u>64,378,860</u>
Total Assets		<u>\$ 64,676,795</u>	<u>\$ 64,420,019</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	E-4, E-12	\$ 5,000	\$ 5,000
Due to Current Fund	E-19	59,540	
Fund Balance	E-1	<u>31,240</u>	<u>36,159</u>
Total Operating Fund		<u>95,780</u>	<u>41,159</u>
<b>CAPITAL FUND</b>			
Improvement Authorizations:			
Funded	E-13	830,850	830,850
Contracts Payable	E-16	1,908,660	2,658,671
Due to Current Fund	E-18	235,171	
Due to Lessee	E-11		11,556
Reserve for Future Improvements	E-17	106,517	106,517
Reserve for Amortization	E-14	54,206,479	54,206,479
Deferred Reserve for Amortization	E-15	7,293,127	6,564,576
Fund Balance	E-2	<u>211</u>	<u>211</u>
Total Capital Fund		<u>64,581,015</u>	<u>64,378,860</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 64,676,795</u>	<u>\$ 64,420,019</u>

There were no bonds and notes authorized but not issued on December 31, 2012 and 2011.

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

E-1

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE  
OPERATING FUND  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized			
Fund Balance Utilized	E-3	\$ 10,000	\$ 10,000
Lease Rentals	E-3	189,080	189,080
Non-Budget Revenue	E-3	1	20
Other Credits to Income:			
Unexpended Balance of Appropriation	E-12	5,000	5,000
 Total Revenues		<u>204,081</u>	<u>204,100</u>
 Expenditures			
Budget Appropriations			
Operating	E-4	5,000	5,000
 Total Expenditures		<u>5,000</u>	<u>5,000</u>
 Excess of Revenue		199,081	199,100
 Adjustments to Income before Fund Balance:			
Anticipated Surplus Appropriated to Current Fund Budget		194,000	194,000
 Statutory Excess to Fund Balance		5,081	5,100
 Fund Balance, Beginning of Year	E	36,159	41,059
		41,240	46,159
 Utilized as Anticipated Revenue	E-1,E-3	10,000	10,000
 Fund Balance, End of Year	E	<u>\$ 31,240</u>	<u>\$ 36,159</u>

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE  
AIRPORT UTILITY CAPITAL FUND  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

E-2

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Balance, Beginning of Year	E	\$ 211	\$ 211
 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, 2012

E-3

	<u>Ref.</u>	<u>Anticipated Budget Revenues</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	E-1	\$ 10,000	\$ 10,000	\$
Lease Rentals	E-1,E-6	189,000	189,080	80
		<u>\$ 199,000</u>	199,080	<u>\$ 80</u>
Non Budget Revenues:				
Interest on Investments	E-1,E-5		<u>1</u>	
			<u>\$ 199,081</u>	

STATEMENT OF EXPENDITURES  
AIRPORT UTILITY OPERATING FUND  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

E-4

	<u>Appropriation</u>		<u>Expended</u>		<u>Cancelled</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>194,000</u>	<u>194,000</u>	<u>194,000</u>		
	<u>\$ 199,000</u>	<u>\$ 199,000</u>	<u>\$ 194,000</u>	<u>\$ 5,000</u>	<u>\$</u>
<u>Ref.</u>	E-3	E-1	E-19	E	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

E

	<u>2012</u>	<u>2011</u>
Land and Land Improvements	\$ 86,253,278	\$ 85,682,824
Building and Building Improvements	16,424,253	17,588,348
Construction in Progress	145,288	1,806,879
Machinery and Equipment	<u>11,370,857</u>	<u>11,159,232</u>
	<u>\$ 114,193,676</u>	<u>\$ 116,237,283</u>
Investment in Fixed Assets	<u>\$ 114,193,676</u>	<u>\$ 116,237,283</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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, 2012 AND 2011

**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, 2012 AND 2011**

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 11<sup>th</sup> day of the 11<sup>th</sup> 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, 2012 AND 2011**

**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 2012.

**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, 2012 AND 2011**

**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, 2012 AND 2011**

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, 2012 AND 2011**

**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, 2012, the book value of the Town's deposits was \$21,236,756. The Town's deposits, which are displayed on the various fund balance Sheet as "cash and cash equivalents", are categorized as:

Depository Account

Insured	\$ 4,176,001
Uninsured and Collateralized	<u>17,060,755</u>
	<u>\$ 21,236,756</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, 2012, 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  
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**3. TAXES AND UTILITY RENTS RECEIVABLE**

Receivables at December 31, 2012 consist of the following:

	<u>Current</u>	<u>Sewer Utility</u>
<b><u>2011</u></b>		
Property Taxes	\$ 3,061,473	\$
Special Improvement District Tax	6,254	
Tax Title Liens	71,034	
Utility Rents		<u>343,441</u>
	<u>\$ 3,138,761</u>	<u>\$ 343,441</u>

In 2012, the Town collected \$427,089 from delinquent taxes, \$324,317 from special improvement district taxes and \$8,008,554 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, 2012 is summarized as follows:

Issued	
General	
Bond and Notes	\$ 30,908,641
Sewer Utility	
Bonds, Notes and Loans	<u>17,767,540</u>
Net Debt Issued	48,676,181
Authorized But Not Issued	
Sewer Utility	
Bonds and Notes	<u>1,410,697</u>
Net Bonds and Notes Issued and Authorized Not Issued	<u>\$ 50,086,878</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 1.216% at December 31, 2012.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 30,908,641	\$	\$ 30,908,641
School Debt	1,739,400	1,739,400	
Utility Debt	19,178,237	16,831,821	2,346,416
Parking Authority Debt	35,725,000	35,725,000	
Total	<u>\$ 87,551,278</u>	<u>\$ 54,296,221</u>	<u>\$ 33,255,057</u>

The Town's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2012 was as follows:

3-1/2% of Equalized Valuation Basis (Municipal)	\$ 90,692,852
Net Debt	<u>33,255,057</u>
Remaining Statutory Borrowing Power	<u>\$ 57,437,795</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, 2012 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%	5,205,800
\$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%	8,833,000
\$6,168,818, (\$22,320,000 combined issue), 2007 Refunding Bonds, due in annual installments of \$125,901 to \$1,544,151 through February 2015, interest at 5.45%	1,044,243
\$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 \$263,027 through March 2018, interest at 1.50% to 4.00%	1,489,430
\$4,845,000, 2012 Refunding Bonds, due in annual installments of \$1,165,000 to \$1,225,000 through 2016, interest at 3.0%	<u>4,795,000</u>
	<u>\$ 22,517,473</u>

**TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
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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, 2012 are as follows:

**Sewer Utility**

\$6,843,105, (\$12,655,000 combined issue) 2005 Refunding Bonds, due in annual installments of \$376,464 to \$515,550 through August 2019, interest at 6.40% to 6.50%	\$ 3,069,196
\$1,152,000, 2007 Sewer Bonds, due in annual installments of \$80,000 to \$160,000 through September 2019, interest at 3.75%	1,112,000
\$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%	365,756
\$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 \$515,074 to \$566,973 through March 2018, interest at 2.00% to 4.00%	3,210,570
\$820,000, 2011B Refunding Bonds, due in annual installment of \$65,000 to \$90,000 through March 2022, interest at 2.00% to 4.00%	<u>810,000</u>
	<u>\$ 11,042,522</u>

The Town's principal and interest for long-term debt issued and outstanding as of December 31, 2012 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>	
2013	\$ 3,828,329	\$ 931,084	\$ 1,346,670	\$ 478,460	\$ 6,584,543
2014	3,854,818	776,612	1,355,181	426,869	6,393,480
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
2018-2022	5,428,809	853,201	4,186,187	550,049	11,018,246
2023	220,000	5,500	490,000	12,250	727,750
	<u>\$ 22,517,473</u>	<u>\$ 3,700,376</u>	<u>\$ 11,042,522</u>	<u>\$ 2,429,039</u>	<u>\$ 39,689,410</u>

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

The Town's long-term capital debt activity for 2012 is as follows:

	Balance, December 31, <u>2011</u>	<u>Increases</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	<u>Due Within One Year</u>
<u>General Capital Fund</u>					
Bonds Payable	<u>\$27,021,426</u>	<u>\$ 4,845,000</u>	<u>\$9,348,953</u>	<u>\$22,517,473</u>	<u>\$3,828,369</u>
<u>Sewer Utility Capital Fund</u>					
Bond Payable	<u>\$14,931,570</u>	<u>\$</u>	<u>\$3,889,048</u>	<u>\$11,042,522</u>	<u>\$1,346,670</u>

**Short-Term Debt**

The Town's short-term capital debt activity for 2012 is as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>
<u>2011</u>				
<u>Bond Anticipation Notes</u>				
General Capital Fund	\$ 3,845,900	\$ 8,656,400	\$ 4,111,132	\$ 8,391,168
Sewer Utility Capital Fund	<u>4,151,500</u>	<u>6,728,500</u>	<u>4,154,982</u>	<u>6,725,018</u>
Total	<u>\$ 7,997,400</u>	<u>\$15,384,900</u>	<u>\$ 8,266,114</u>	<u>\$15,116,186</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 2012 as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>
Tax Anticipation Notes	<u>\$ 4,000,000</u>	<u>\$ 4,500,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,500,000</u>

**TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**5. FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2012:

	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2012</u>
Land and Land Improvements	\$ 85,682,824	\$ 840,454	\$	\$86,253,278
Buildings and Building Improvements	17,588,348		1,164,095	16,424,253
Construction in Progress	1,306,879		1,661,591	145,288
Machinery and Equipment	11,159,232	211,625		11,370,857
	<u>\$ 116,237,283</u>	<u>\$1,052,250</u>	<u>\$ 2,825,686</u>	<u>\$114,193,676</u>

**Utility Fund Fixed Assets**

The following is a summary of changes in the Utility Fund fixed assets as of December 31, 2012:

<b>Sewer Utility Fund</b>	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2012</u>
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>\$ 8,343,465</u>	<u>\$ 825,000</u>	<u>\$</u>	<u>\$ 9,168,465</u>
<b>Airport Utility Fund</b>	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2012</u>
Fixed Capital				
Airport Facilities and Improvements	\$ 53,178,765	\$	\$	\$ 53,178,765
Vehicle and Equipment	1,027,714			1,027,714
	<u>\$ 54,206,479</u>	<u>\$</u>	<u>\$</u>	<u>\$ 54,206,479</u>
Fixed Capital Authorized and Uncompleted – Airport Facilities and Improvements	<u>\$ 6,564,576</u>	<u>\$ 728,550</u>	<u>\$</u>	<u>\$ 7,293,126</u>

No improvements were completed in 2012 for either utility.

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

As of December 31, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other <u>Funds</u>	Due To Other <u>Funds</u>
Current Fund:		
Regular	\$ 620,980	\$ 409,116
Grant	21,034	100,000
Trust Fund:		
Animal Control Fund	1,893	
Other Trust	152,950	
Equitable Sharing	248,239	
Self Insurance		37,997
General Capital Fund	100,000	303,272
Water Utility:		
Water Operating	80,386	
Water Capital		80,386
Airport Utility:		
Airport Operating		59,540
Airport Capita		235,171
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,225,482</u>	<u>\$1,225,482</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 31, 2012	Utilized in Subsequent Year's Budget
Current Fund Cash Surplus	<u>\$4,033,623</u>	<u>\$2,000,000</u>
Sewer Utility Operating Fund Cash Surplus	<u>\$ 24,036</u>	<u>\$ 10,000</u>
Airport Utility Operating Fund Cash Surplus	<u>\$ 31,240</u>	<u>\$ 20,000</u>

The above fund balance amounts utilized represents the surplus anticipated in the 2013 municipal budget.

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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, 2012, there were deferred charges reported on the balance sheets of the current and sewer operating funds for an emergency appropriation of \$279,100 and \$143,400, respectively. Both emergencies were raised in the 2013 budget.

**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 \$1,970,000 at December 31, 2012. This estimate by management is unaudited.

As of December 31, 2012, the Town has reserved \$35,505 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<sup>th</sup> 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<sup>th</sup> 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<sup>th</sup> 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 of 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.

**TOWN OF MORRISTOWN  
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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](http://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.

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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, 2012, 2011, and 2010, 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>CPFPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$ 26,403	\$ 1,954,798	\$ 754,111	\$ 5,269
2011	22,124	2,278,712	783,074	
2010	24,019	898,498	291,901	1,000

**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 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 medical benefits on a pay-as-you-go basis. For the years 2012, 2011 and 2010, the Town paid \$2,579,297, \$2,249,016, and \$1,921,656, 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.

**TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

The following information has been updated 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 2011 were as follows:

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

**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, 2011.

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, 2012 AND 2011**

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, 2012 AND 2011**

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, 2012. 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, 2012, the Town has \$590,994 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>
2012	\$120,000	None	\$ 95,328	\$127,437
2011	111,000	None	66,284	102,765
2010	138,000	20,196	124,247	58,049

**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, 2012. 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, 2012 AND 2011**

**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, 2012, the outstanding debt covered by the Town Replenishment Agreement was \$35,725,000. As of June 14, 2013, 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, 2011 AND 2010**

**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, 2012, 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, 2012, 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, 2012 AND 2011**

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, 2012, 65 years are remaining on the transfer agreement and the remaining amount due from the transfer agreement is \$1,950,000.

**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, 2012.

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 57,627
2014	57,627
2015	57,627
2016	57,627
2017	<u>28,813</u>
Total	259,321
Less: Amounts Representing Interest	<u>27,910</u>
Present value of Net Minimum Lease Payments	<u>\$ 231,411</u>

The Town's capital lease activity for 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Balance, January 1	\$ 276,616	\$ 319,776
Reductions	<u>17,304</u>	<u>43,160</u>
Balance, December 31	<u>\$ 259,312</u>	<u>\$ 276,616</u>
Due Within One Year	<u>\$ 57,627</u>	<u>\$ 45,204</u>

**19. SUBSEQUENT EVENTS**

The Town has evaluated subsequent events occurring after December 31, 2012 through June 14, 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, 2013 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 1.5%.

**CURRENT FUND**

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF CURRENT CASH AND INVESTMENTS - TREASURER  
YEAR ENDED DECEMBER 31, 2012

A-4

	<u>Ref.</u>		<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2011	A		\$ 10,380,620	\$ 112,584
Increased by Receipts:				
Non-Budget Revenue	A-2	\$ 3,431,677		
Petty Cash Fund	A-6	900		
NJ Senior Citizens' and Veterans' Deductions	A-7	54,500		
Taxes Receivable	A-8	57,668,991		
Revenue Accounts Receivable	A-13	8,293,002		
Special Improvement District Taxes Receivable	A-9	313,416		
Due from Southeast Morris MUA	A-15	30,000		
Prepaid Taxes	A-21	252,818		
Prepaid Special Improvement District Taxes	A-24	9,026		
Tax Overpayments	A-23	33,627		
Tax Anticipation Notes	A-26	4,500,000		
Interfund - Equitable Sharing	A-17a	178,035		
Interfund - Animal	A-17a	3,902		
Interfund - Trust	A-17a	413,551		
Interfund - Airport Operating	A-17	134,460		
Interfund - Airport Capital	A-17	1,243,390		
Interfund - Sewer	A-17	3,224,844		
Interfund - General Capital - FEMA	A-17	254,854		
Interfund - General Capital	A-17, A	1,312,043	100,000	
Grant Reimbursement	A-33		7,500	
Interest			1	
Interfund - Grant	A-17	138,750		
Grant Receivables	A-30		628,730	
			81,491,786	736,231
			91,872,406	848,815
Decreased by Disbursements:				
2011 Budget Appropriations	A-3	33,080,283		
2010 Appropriations Reserves	A-14	416,031		
Encumbrances Payable	A-16	697,371		
Petty Cash	A-6	900		
Regional School Taxes Payable	A-20	29,912,081		
County Tax Payable	A-19	6,873,983		
Tax Overpayments Refunded	A-23	312,849		
Tax Anticipation Notes	A-26	4,000,000		
Special Improvement District Taxes Payable	A-25	319,324		
Interfund - Animal	A-17a	5,945		
Interfund - Trust	A-17a	382,463		
Interfund - Self Insurance	A-17	37,997		
Interfund - Airport Capital	A-17	1,478,561		
Interfund - General Capital	A-17	2,110,124		
Interfund - Sewer	A-17	658,844		
Interfund - Grant	A-17	123,716		
Appropriated Reserves	A-33		725,794	
			80,410,472	725,794
Balance, December 31, 2012	A		\$ 11,461,934	\$ 123,021

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF CHANGE FUNDS  
DECEMBER 31, 2012

A-5

Balance,  
December 31,  
2012 and 2011

<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, 2012

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, 2012

A-7

	<u>Ref</u>	
Balance, December 31, 2011	A	\$ 1,358
Increased by:		
Senior Citizens' and Veterans' Deductions	A-8	<u>54,000</u>
		55,358
Decreased by:		
Cash Receipts	A-4	<u>54,500</u>
Balance, December 31, 2012	A	<u>\$ 858</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY  
YEAR ENDED DECEMBER 31, 2012

A-8

		Collections					
Year	Balance December 31, 2011	Added Taxes	Senior Citizens and Veterans' Deductions	2011	2012	Transferred To Tax Title Liens	Balance December 31, 2012
2007	\$ 1,691,836	\$	\$	\$	\$	\$	\$ 1,691,836
2008	878,856						878,856
2011	426,339		750		427,089		2,570,692
	2,997,031		750		427,089		
2012		58,065,575	53,250	266,507	57,241,902	13,134	490,782
	\$ 2,997,031	\$ 58,065,575	\$ 54,000	\$ 266,507	\$ 57,668,991	\$ 13,134	\$ 3,061,474
Ref.	A	Below	A-2,A-7	A-2, A-21	A-2, A-4	A-10	A
Analysis of 2012 Property Tax Levy							
Tax Yield							
General Purpose Tax			\$ 57,976,270				
Reductions due to Tax Appeals			(69,604)				
Added Taxes (RS 54:4-36.1 et seq.)			158,909				
			\$ 58,065,575				
Tax Levy							
Regional School Tax	\$	27,623,755					
County Taxes							
County Tax - General		6,426,458					
Open Space Tax		421,443					
Due County for Added Tax		1,338					
			34,472,994				
Local Tax for Municipal Purposes		23,504,614					
Add: Additional Tax Levied		87,967					
			23,592,581				
			\$ 58,065,575				

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAXES RECEIVABLE A-9  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011	A		\$ 73,181
Increased by:			
2012 District Tax Levy	A-25		<u>317,147</u>
			390,328
Decreased by:			
Cash Receipts	A-4	\$ 313,416	
Prepays Applied	A-22	10,901	
Cancelled	A-25	<u>59,756</u>	<u>384,073</u>
Balance, December 31, 2012	A		<u>\$ 6,254</u>
Analysis of Balance:			
Balance December 31, 2011	A-9		\$ 73,181
Balance December 31, 2012	A-9		<u>6,254</u>
Net Credit to Operations	A-1		<u>\$ 66,927</u>

STATEMENT OF TAX TITLE LIENS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2012

A-10

	<u>Ref.</u>		
Balance, December 31, 2011	A		\$ 57,911
Increased by:			
Transfers from Current Year Taxes Receivable	A-8	\$ 13,134	
Adjustment	Reserve	<u>(11)</u>	<u>13,123</u>
Balance, December 31, 2012	A		<u>\$ 71,034</u>

STATEMENT OF DEMOLITION LIENS  
DECEMBER 31, 2012

A-11

	<u>Ref.</u>		
Balance, December 31, 2012 and 2011	A		<u>\$ 2,946</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES -  
AT ASSESSED VALUATIONS  
DECEMBER 31, 2012

A-12

	<u>Ref.</u>		
Balance, December 31, 2012 and 2011	A		<u>\$ 1,551,200</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2012

A-13

	Balance, December 31, 2011	Accrued in 2012	Collected in 2012	Balance, December 31, 2012
Licenses:				
Alcoholic Beverages	\$	\$ 91,250	\$ 91,250	\$
Others		120,067	120,067	
Fees and Permits		428,665	428,665	
Municipal Court - Fines and Costs	58,088	848,965	864,207	42,846
Interest on Costs on Taxes		139,096	139,096	
Interest on Investments & Deposits		489	489	
Swimming Pool Fees		149,939	149,939	
Lease Agreement - SDC		1,625,448	1,625,448	
Cablevision Fees		240,764	240,764	
Animal Control Agreements		45,120	45,120	
Energy Receipts Tax		2,682,420	2,682,420	
Consolidated Municipal Property Tax Relief Aid		186,179	186,179	
Uniform Construction Code Fees		846,170	846,170	
Anticipated Airport Utility Operating Surplus		194,000	194,000	
Contribution from Sewer Utility for Indirect Costs		131,000	131,000	
Rental of Property - Leases		228,404	228,404	
Police Outside Duty - Administrative Fees		105,740	105,740	
Hotel/Motel Tax		357,247	357,247	
Uniform Fire Safety Act Fees		50,778	50,778	
Rent Leveling Registration		63,820	63,280	
Fire Bureau EMS Revenue Recovery		67,795	67,795	
Anticipated Sewer Utility Operating Surplus		2,435,000	2,435,000	
	<u>\$ 58,088</u>	<u>\$ 11,038,356</u>	<u>\$ 11,053,058</u>	<u>\$ 42,846</u>

<u>Ref.</u>	A	Reserve			A
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		Ref.			
Cash Receipts		A-4	\$ 8,293,002		
Interfund - General Capital		A-17	56		
Interfunds		A-17	2,760,000		
			<u>\$ 11,053,058</u>		

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

A-14  
Sheet # 1

	Balance December 31, 2011	Balance After Modification	Paid or Charged	Balance Lapsed
<b>SALARIES AND WAGES</b>				
Town Clerk	\$ 78	\$	\$	\$
Business Administrator	1,579			
Fire	22,206			
Emergency Management Services	2			
Treasurer	1,977			
Collector of Taxes	2,138			
Public Health	2,453	2,453		2,453
Recreation Administration	3,291			
Burham Pool	523			
Aging	651			
Animal Control	697			
Code Enforcement	997			
Public Works	8,591			
Sanitation and Recycling	1,171			
Bus Transportation	2,526			
Planning	2,841			
Engineering Services and Costs	149			
Municipal Court	3,211			
Uniform Construction Code	5,463			
	<u>60,544</u>	<u>2,453</u>		<u>2,453</u>
<b>OTHER EXPENSES</b>				
Town Clerk	4,200	7,350	6,988	362
Business Administrator	15,048	15,048	12,965	2,083
Purchasing	3,839	3,839	727	3,112
Police	10,664	10,664	9,465	1,199
Fire	22,823	22,823		22,823
Fire Truck Lease	373	373		373
Emergency Management Services	4,131	4,131	1,992	2,139
Treasurer	9,004	9,004	3,733	5,271
Collector of Taxes	758	2,758	2,692	66
Assessment of Taxes	11,442	33,442	32,611	831
Public Health	9,748	9,748	6,582	3,166
Recreation Administration	4,664	4,664	2,618	2,046
Recreation Burnham Pool	2,246	2,246		2,246
Aging	1,696	1,696	1,056	640
Rent Leveling	207	206	115	91
Animal Control	5,218	5,218	140	5,078
Code Enforcement	2,063	2,063	270	1,793
Public Works	108,800	108,800	68,524	40,276
Sanitation and Recycling	104,865	104,865	84,178	20,687

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

A-14  
Sheet # 2

	Balance December 31, 2011	Balance After Modification	Paid or Charged	Balance Lapsed
OTHER EXPENSES (Continued)				
Bus Transportation	272	272		272
Planning	53,132	53,132	36,539	16,593
Engineering Services and Costs	1,706	1,706	1,373	333
Legal	91,178	64,028	47,647	16,381
Municipal Prosecutor	6,500	6,500	3,300	3,200
Historic Preservation Committee	1,000	1,000		1,000
Environmental Commission	620	620		620
Municipal Alliance	8,000	8,000		8,000
Uniform Construction Code - Approp	22,032	22,032	3,123	18,909
Memorial and Vet Day Association	1,400	1,400		1,400
Mosquito Control	1,000	1,000		1,000
Other Insurance Premiums	2,418			
Municipal Court	8,661	8,661	3,535	5,126
Contingent Expenses	3,441	3,441		3,441
Public Defender	1,200	1,200		1,200
Reserve for Unemployment Benefits	120,000	120,000	120,000	
Social Security	26,611			
PERS	426			
PFRS	288			
CPFP	376			
DCRP	2,800	2,800		2,800
Group Hospitalization	64,014	152,225	85,418	66,807
Animal Control - Great Swamp	1,600	1,600		1,600
Grant Matching	20,000	20,000		20,000
Computer/Office Equipment	5,819	5,819	440	5,379
	<u>\$ 826,827</u>	<u>\$ 826,827</u>	<u>\$ 536,031</u>	<u>\$ 290,796</u>

<u>Ref.</u>	A	A	Below	A-1
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Ref.

Cash Disbursed	A-4	\$ 416,031
Interfund	A-17	<u>120,000</u>
		<u>\$ 536,031</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF DUE FROM SOUTHEAST MORRIS COUNTY MUA  
YEAR ENDED DECEMBER 31, 2012

A-15

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 1,980,000
Decreased by:		
Cash Receipt - Anticipated Revenue	A-2,A-4	<u>30,000</u>
Balance, December 31, 2012	A	<u>\$ 1,950,000</u>

STATEMENT OF ENCUMBRANCES PAYABLE  
YEAR ENDED DECEMBER 31, 2012

A-16

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 714,555
Increased by:		
2012 Budget Appropriations	A-3	<u>549,833</u>
		1,264,388
Decreased by:		
Cancelled	A-1	17,184
Payments	A-4	<u>697,371</u>
Balance, December 31, 2012	A	<u>\$ 549,833</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF INTERFUNDS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2012

Ref.	Total	Self Insurance	Sewer Operating	Airport Operating	Airport Capital	General Capital
Balance December 31, 2011	\$	\$	\$	\$	\$	\$
Increased by:						
Cash Disbursements	4,285,526	37,997	658,844		1,478,561	2,110,124
Fund Balance Anticipated	2,629,000		2,435,000	194,000		
Interest	56					56
Sewer Indirect Costs	131,000		131,000			
	<u>7,045,582</u>	<u>37,997</u>	<u>3,224,844</u>	<u>194,000</u>	<u>1,478,561</u>	<u>2,110,180</u>
	<u>7,045,582</u>	<u>37,997</u>	<u>3,224,844</u>	<u>194,000</u>	<u>1,478,561</u>	<u>2,110,180</u>
Decreased by:						
Debt service - Capital	235,011					235,011
Budget Appropriation	20,000					20,000
Cash Receipts - FEMA	254,854					254,854
Cash Receipt - State Grant	134,460				134,460	
Cash Received by Current Fund	644,325		3,224,844	134,460	1,108,930	1,312,043
	<u>1,288,650</u>		<u>3,224,844</u>	<u>134,460</u>	<u>1,243,390</u>	<u>1,821,908</u>
Balance December 31, 2012:	\$ <u>620,980</u>	\$ <u>37,997</u>	\$	\$ <u>59,540</u>	\$ <u>235,171</u>	\$ <u>288,272</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF INTERFUNDS PAYABLE  
YEAR ENDED DECEMBER 31, 2012

Ref.	Total	Federal/State Grant Fund	Animal Control Fund	Other Trust Fund	Equitable Sharing
A	\$ (6,988)	\$ 6,000	\$ 150	\$ (13,138)	\$
Increased by:					
A-4	595,488		3,902	413,551	178,035
A-14	120,000			120,000	
A-1	70,204				70,204
A-4	138,750	138,750			
	924,442	138,750	3,902	533,551	248,239
	931,430	144,750	4,052	520,413	248,239
Decreased by:					
A-4	388,408		5,945	382,463	
A-4	123,716	123,716			
	512,124	123,716	5,945	382,463	
A	\$ 409,116	\$ 21,034	\$ 1,893	\$ 137,950	\$ 248,239

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF ACCOUNTS PAYABLE  
YEAR ENDED DECEMBER 31, 2012

A-18

Ref.

Balance, December 31, 2012 and 2011	A	\$ 66,851
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STATEMENT OF COUNTY TAXES PAYABLE  
DECEMBER 31, 2012

A-19

Ref.

Balance, December 31, 2011	A	\$ 26,082
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Increased by:

Levy-Calendar Year 2012		\$ 6,426,458
2012 Open Space Tax Levy		421,443
Due County for Added Taxes		<u>1,338</u>
	A-1,A-2,A-7	<u>6,849,239</u>
		6,875,321

Decreased by:

Cash Disbursements	A-4	<u>6,873,983</u>
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Balance, December 31, 2012	A	<u>\$ 1,338</u>
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STATEMENT OF REGIONAL SCHOOL TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2012

A-20

Ref.

Balance, December 31, 2011	A	\$ 2,174,128
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Increased by:

Transferred from Appropriations	A-3	188,326
Levy - Calendar Year 2012	A-1,A-2,A-7	<u>27,623,755</u>
		29,986,209

Decreased by:

Cash Disbursements	A-4	<u>29,912,081</u>
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Balance, December 31, 2012	A	<u>\$ 74,128</u>
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See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF PREPAID TAXES  
YEAR ENDED DECEMBER 31, 2012

A-21

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 266,507
Increased by:		
Collection of 2013 Taxes	A-4	252,818
		519,325
Decreased by:		
Applied to 2012 Taxes	A-8	266,507
		266,507
Balance, December 31, 2012	A	\$ 252,818

STATEMENT OF PREPAID SPECIAL IMPROVEMENT DISTRICT TAXES  
YEAR ENDED DECEMBER 31, 2012

A-22

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 10,901
Decreased by:		
Applied to Receivable	A-9	10,901
		10,901
Balance, December 31, 2012	A	\$

STATEMENT OF TAX OVERPAYMENTS  
YEAR ENDED DECEMBER 31, 2012

A-23

	<u>Ref.</u>		
Balance, December 31, 2011	A		\$ 653,406
Increased by:			
Cash Receipts	A-4	\$ 33,627	
Reserve for Tax Appeals	A-3	450,000	483,627
			1,137,033
Decreased by:			
Cancelled	A-1	496,179	
Refunds	A-4	312,849	809,028
			809,028
Balance, December 31, 2012	A		\$ 328,005

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAX OVERPAYMENTS  
YEAR ENDED DECEMBER 31, 2012

A-24

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 2,524
Increased by:		
Cash receipts	A-4	<u>9,026</u>
Balance, December 31, 2012	A	<u>\$ 11,550</u>

STATEMENT OF SPECIAL IMPROVEMENTS DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2012

A-25

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 127,450
Increased by:		
Collection of SID Taxes Receivable	A-9	<u>317,147</u> <u>444,597</u>
Decreased by:		
Cancelled	A-9	59,756
Cash Disbursements	A-4	<u>319,324</u>
Balance, December 31, 2012	A	<u>\$ 65,517</u>

STATEMENT OF TAX ANTICIPATION NOTES  
YEAR ENDED DECEMBER 31, 2012

A-26

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 4,000,000
Increased by:		
Cash Receipts	A-4	<u>4,500,000</u> <u>8,500,000</u>
Decreased by:		
Cash Disbursements	A-4	<u>4,000,000</u>
Balance, December 31, 2012	A	<u>\$ 4,500,000</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF MISCELLANEOUS RESERVES  
DECEMBER 31, 2012

A-27

Ref.

Codifications of Ordinances		\$ 112
Arbitrage Rebate		14,252
Master Plan		<u>33,424</u>
Balance, December 31, 2012 and 2011	A	<u>\$ 47,788</u>

STATEMENT OF DUE TO REDEVELOPMENT AGENCY  
DECEMBER 31, 2012

A-28

Ref.

Balance, December 31, 2012 and 2011	A	<u>\$ 2,188</u>
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STATEMENT OF DUE FROM STATE OF NEW JERSEY  
YEAR ENDED DECEMBER 31, 2012

A-29

Ref.

Balance, December 31, 2012 and 2011	A	<u>\$ 4,525</u>
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TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF GRANTS RECEIVABLE - GRANT FUND  
YEAR ENDED DECEMBER 31, 2012

A-30

	Balance, December 31, 2011	2012 Anticipated Revenue	Received	Cancelled	Balance, December 31, 2012
Community Development Block Grants					
Redevel. Plan - Center and Coal Streets	\$ 5,193	\$	\$	\$	\$ 5,193
Pocahontas/Caidwell Parks	81,427				81,427
Senior Center Improvements	1,270				1,270
Alcohol Ed. And Rehab. Fund		6,098	6,098		
Planning Assistance Grant	18,500				18,500
Highway Safety Grants:					
Body Armor		9,897	9,897		
DEP Recycling Tonnage Grant		35,838	35,838		
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		25,642	25,165		478
Dodge Grant Office of Sustainability		50,000	50,000		
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		185,000	138,750		46,250
FEMA Homeland Security - Turnout Gear	4,257				4,257
NJ DOT Municipal Aid Program- Abbett Ave	150,000		112,500		37,500
NJ DOT Safe Street to Transit		85,000			85,000
NJ Forest Service - 2010 Business Stimulus	7,000		7,000		
Green Acres Program - Hillcrest Park	100,000		93,333		6,668
Acquisition & Preservation - 20 Hillcrest Ave.	254,000		254,000		
Rutgers Mini Health		2,500	2,500		
County of Morris - Caldwell Ave. Playground		32,400	32,400		
	\$ 1,205,367	\$ 432,375	\$ 767,480	\$	\$ 870,263
<u>Ref.</u>	A	A-2			A
		A-4	\$ 628,730		
		A-31	138,750		
			\$ 767,480		

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF DUE FROM  
CURRENT FUND - GRANT FUND  
YEAR ENDED DECEMBER 31, 2012

A-31

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 6,000
Increased by:		
Cash Received in Current Fund	A-17	138,750
		144,750
Decreased by:		
Cash Disbursed by Current Fund	A-33	123,716
		123,716
Balance, December 31, 2012	A	\$ 21,034

STATEMENT OF ENCUMBRANCES PAYABLE  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2012

A-32

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$ 117,700
Increased by:		
Charges to Reserve for Grant Expenditures	A-33	76,089
		193,789
Decreased by:		
Cancelled Encumbrances	A-33	117,700
		117,700
Balance, December 31, 2012	A	\$ 76,089

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2012

A-33

	Balance, December 31, 2011	Transferred from Budget Appropriations	Reimbursement	Paid or Charged	Cancelled Encumbrances	Balance, December 31, 2012
Community Development Block Grants						
Redev. Plan - Center and Coal Streets	\$ 3,287	\$	\$	\$	\$	\$ 3,287
Pocahontas/Caldwell Parks	49,027			31,109	31,109	49,027
Senior Center Improvements	846					846
Drunk Driving Enforcement Fund	15,780			610		15,170
NJ Body Armor Fund	18,538	9,897		2,800		25,635
Dodge Foundation - Footes Pond Donations	8,205					8,205
Alcohol Education Program	13,269	6,098		2,500		16,867
DEP - Recycling Tonnage Grant	60,546	35,838		50,800	15,669	61,253
Clean Communities Program	11,728	25,642	1,500	26,410		12,460
Open Space and Farm Pres. - Cory Road	299,627					299,627
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	10,131				7,412	17,543
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	62,643	50,000		83,981	12,209	40,870
DOT - South Street Phase II	(30)			32,467	32,467	(30)
County of Morris - Caldwell Playground		32,400				32,400
FEMA Homeland Security - Turnout Gear	1,839					1,839
FEMA Homeland Security - EMW	16,409			8,754	15,589	23,244
Lead ID & Testing	896			2,892	3,245	1,249
NJDHSS Influenza H1N1	270					270
Morristown Rotary	6,305					6,305
NJ DOT Municipal Aid Program- Abbett Ave (11)	150,000			146,400		3,600
NJ DOT Municipal Aid Program- Abbett Ave (12)		185,000		185,000		
Rutgers Mini Grant - Health		2,500		144		2,356
NJDOT Safe Streets to Transit		85,000				85,000
Footes Pond						
Green Acres Program - Hillcrest Park	100,000			100,000		
Acquisition & Preservation - 20 Hillcrest Ave.	254,000			251,733		2,267
	<u>\$ 1,206,154</u>	<u>\$ 432,375</u>	<u>\$ 7,500</u>	<u>\$ 925,599</u>	<u>\$ 117,700</u>	<u>\$ 838,129</u>

Ref.      A                      A-3                      A-4                      Below                      A-32                      A

	Ref.	Amount
Interfund	A-31	\$ 123,716
Cash Disbursements	A-4	725,794
Encumbrances Payable	A-32	76,089
		<u>\$ 925,599</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF RESERVES FOR UNAPPROPRIATED GRANTS  
GRANT FUND  
DECEMBER 31, 2012

A-34

	<u>Ref.</u>	
Balance December 31, 2012 and 2011	A	<u>\$ 100</u>
<u>Analysis of Balance</u>		
Foote's Pond Walking Path		<u>\$ 100</u>

STATEMENT OF DEFERRED CHARGES  
YEAR ENDED DECEMBER 31, 2012

A-35

	<u>Balance, December 31, 2011</u>	<u>Raised in 2012 Budget</u>	<u>Occurred in 2012</u>	<u>Balance, December 31, 2012</u>
Emergency	\$ 90,000	\$ 90,000	\$ 279,100	\$ 279,100
Overexpenditure of Appropriations	9,015	9,015		
	<u>\$ 99,015</u>	<u>\$ 99,015</u>	<u>\$ 279,100</u>	<u>\$ 279,100</u>
Ref.	A	A-3	A-3	A

See Independent Auditors' Report.

TRUST FUND

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2012

B-1

	Ref.	Animal Control	Other	Self Insurance
Balance, December 31, 2011	B	\$ 24,295	\$ 2,919,690	\$ 701,644
Increased by:				
Dog Licenses - State Fees	B-3	\$ 20,586		
Interfund Current	B-4, B-9, B-16	3,902		
Reserve for Recreation	B-11		\$ 382,463	\$ 37,997
Miscellaneous Reserves	B-12		50,052	
Affordable Housing	B-7		1,390,266	
Payroll Deduction Payable	B-14		102,231	
Escrow Deposits	B-8		6,219,976	
Reserve for Police Forfeiture	B-5		865,801	
Due to State	B-13		33,670	
Claims Reimbursements	B-10		8,328	
Interest Earned on Investments	B-10	24,488		34,512
		48,783	9,052,787	72,513
			11,972,477	774,157
Decreased by:				
Payments to Current Fund	B-4			
Recreation	B-11	5,945	41,183	
Reserve for Self-Insurance	B-10			145,166
Reserve for Police Forfeiture	B-5		52,954	
Reserve for Animal Control	B-3	3,648		
Reserve for Unemployment Compensation	B-6		81,879	
Due to State of New Jersey	B-13		13,390	
Miscellaneous Reserves	B-12		1,713,825	
Payroll Deductions Payable	B-14		6,202,618	
Escrow Deposits Returned	B-8		588,037	
		9,593	8,693,886	145,166
Balance, December 31, 2012	B	\$ 39,190	\$ 3,278,591	\$ 628,991

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO STATE OF NEW JERSEY  
ANIMAL CONTROL FUND  
DECEMBER 31, 2012

B-2

	<u>Ref.</u>		
Balance, December 31, 2011	B	\$	40
Decreased by:			
Adjustment to Reserve	B-3		26
Balance, December 31, 2012	B	\$	<u>14</u>

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2012

B-3

	<u>Ref.</u>		
Balance, December 31, 2011	B	\$	24,105
Increased by:			
State of New Jersey	B-2	\$	26
Dog Licenses Fees Collected	B-1	<u>20,586</u>	<u>20,612</u>
			44,717
Decreased by:			
Cash Disbursements	B-1		<u>3,648</u>
Balance, December 31, 2012	B	\$	<u>41,069</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO CURRENT FUND  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2012

B-4

	<u>Ref.</u>	
Balance, December 31, 2011 (Due to)	B	\$ 150
Increased by:		
Cash received from Current Fund	B-1	3,902
		4,052
Decreased by:		
Cash Disbursements	B-1	5,945
		(1,893)
Balance, December 31, 2012 (Due from)	B	\$ (1,893)

STATEMENT OF RESERVE FOR POLICE FORFEITURE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

B-5

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$ 46,660
Increased by:		
Cash Receipts	B-1	33,670
		80,330
Decreased by:		
Cash Disbursements	B-1	52,954
		27,376
Balance, December 31, 2012	B	\$ 27,376

See Independent Auditors' Report

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION  
OTHER TRUST FUND B-6  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$ 102,765
Increased by:		
Due from Current Fund	B-9	120,000
		<u>222,765</u>
Decreased by:		
Due State for Unemployment Benefit Claims	B-1	81,879
		<u>81,879</u>
Balance, December 31, 2012	B	<u>\$ 140,886</u>

STATEMENT OF RESERVE FOR AFFORDABLE HOUSING  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

B-7

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$ 814,717
Increased by:		
Cash Receipts	B-1	102,231
		<u>102,231</u>
Balance, December 31, 2012	B	<u>\$ 916,948</u>

STATEMENT OF ESCROW DEPOSITS PAYABLE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

B-8

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$ 899,462
Increased by:		
Escrow Deposits Received	B-1	865,801
		<u>1,765,263</u>
Decreased by:		
Escrow Deposits Returned	B-1	588,037
		<u>588,037</u>
Balance, December 31, 2012	B	<u>\$ 1,177,226</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO CURRENT FUND  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

B-9

	<u>Ref.</u>		
Balance, December 31, 2011 (Due to)	B		\$ 13,138
Increased by:			
Cash Received	B-1		382,463
			<u>395,601</u>
Decreased by:			
Adjustment to Payroll Deductions	B-14	13,137	
Current Fund Appropriation	B-6	120,000	
Special Deposits	B-12	<u>400,414</u>	
			<u>533,551</u>
Balance, December 31, 2012 (Due from)	B		<u><u>\$ (137,950)</u></u>

STATEMENT OF RESERVE FOR SELF INSURANCE EXPENDITURES  
SELF INSURANCE FUND  
YEAR ENDED DECEMBER 31, 2012

B-10

	<u>Ref.</u>		
Balance, December 31, 2011	B		\$ 701,644
Increased by:			
Cash Receipts			
Claim Reimbursements		\$ 34,512	
Interest on Investments		<u>4</u>	
	B-1		<u>34,516</u>
			736,160
Decreased by:			
Cash Disbursements	B-1		<u>145,166</u>
Balance, December 31, 2012	B		<u><u>\$ 590,994</u></u>

Analysis of Balance

Reserve for Workers Compensation Claims	\$	272,794
Reserve for Liability Claims		<u>318,200</u>
	\$	<u><u>590,994</u></u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF RESERVE FOR RECREATION PROGRAMS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

B-11

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$ 49,460
Increased by:		
Cash Receipts	B-1	50,052
		99,512
Decreased by:		
Payments made by Current Fund	B-1	41,183
Balance, December 31, 2012	B	\$ 58,329

STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

B-12

	<u>Balance</u> <u>December 31,</u> <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
Municipal Court POAA Fees	\$ 54,317	\$ 9,420	\$ 12,710	\$ 51,027
Fire Prevention Donations	2,532			2,532
Fire Prevention Penalties	19,727	1,000	1,519	19,208
Fire Donations	13,736	2,400		16,136
Project Planner Deposits - Maple Ave	12,000			12,000
Epstein's Project Deposits	19,035			19,035
Lease Security Deposits	34,500		1,000	33,500
Police Donations	13,178	1,500		14,678
Police Abandoned Vehicles	5,028			5,028
Purchase of Police Vehicles	38,954	56,594	2,972	92,576
Outside Police Duty Fees	152,594	1,089,795	1,109,698	132,691
Public Works Deposits	72,565	2,673	14,048	61,190
Senior Weekend Meals Donations	1,518			1,518
Senior Center Donations		2,800		2,800
Jail and Cablevision Legal Reserve	59,381			59,381
Cable Purchase	14,850		2,895	11,955
Public Defender Fees	36,028	749	3,550	33,227
Outside Lien Redemptions	48,788	393,974	427,283	15,479
Relocation Assistance Trust Fund		5,350	5,350	
Bob Tracey Park Contributions		5,075		5,075
Accumulated Sick and Vacation Time	35,505			35,505
Premium on Tax Sale Deposits	213,162	224,700	132,800	305,062
	\$ 847,399	\$ 1,796,030	\$ 1,713,825	\$ 929,604

	<u>Ref.</u>			
	B	Below	B-1	B
Cash Receipts	B-1	\$ 1,390,266		
Restitution Receivable	B	5,350		
Due from Current	B-9	400,414		
		\$ 1,796,030		

See Independent Auditors' Report

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO STATE OF NEW JERSEY - (UNEMPLOYMENT) B-13  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$ 5,062
Increased by:		
Claims Due to State	B-1	8,328
		13,390
Decreased by:		
Cash Disbursements	B-1	13,390
		-
Balance, December 31, 2012	B	\$ -

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$ 156,029
Increased by:		
Interfund	B-9	\$ 13,137
Receipts	B-1	6,219,973
		6,233,110
		6,389,139
Decreased by:		
Disbursements	B-1	6,202,618
		-
Balance, December 31, 2012	B	\$ 186,521

STATEMENT OF DUE FROM GENERAL CAPITAL FUND  
DECEMBER 31, 2012

	<u>Ref.</u>	
Balance December 31, 2012 and 2011	B	\$ 15,000

See Independent Auditors' Report

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO CURRENT FUND  
SELF INSURANCE FUND  
YEAR ENDED DECEMBER 31, 2012

B-16

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$
Increased by:		
Cash received from Current Fund	B-1	(37,997)
		<u>(37,997)</u>
Balance, December 31, 2012	B	<u>\$ (37,997)</u>

B-17

STATEMENT OF DUE FROM CURRENT FUND  
EQUITABLE SHARING FUND  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$
Increased by:		
Revenue in Current Fund	B-18	248,239
		<u>248,239</u>
Balance, December 31, 2012	B	<u>\$ 248,239</u>

B-18

RESERVE FOR EQUITABLE SHARING FUND  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$
Increased by:		
Revenue Received by Current Fund	B-17	248,239
		<u>248,239</u>
Balance, December 31, 2012	B	<u>\$ 248,239</u>

See Independent Auditors' Report

**GENERAL CAPITAL FUND**

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2012

C-2

	<u>Ref.</u>		
Balance, December 31, 2011	C		\$ 1,888,584
Increased by:			
Hurricane Damage Reimbursement	C-8	\$ 19,627	
Premium on Bond Anticipation Note Sales	C-1	40,919	
Interfund Current - Interest Income	C-16	55	
Bond Anticipation Notes	C-10	<u>4,810,500</u>	
			<u>4,871,101</u>
			6,759,685
Decreased by:			
Improvement Authorizations	C-8	1,714,175	
Interfund Grant Fund	C	100,000	
Interfund Current - Principle on BAN's	C-16	265,232	
Interfund Current - Interest on BAN's	C-16	57,689	
Paid to Current Fund for Imprvmt. Authorization	C-16	<u>1,312,043</u>	
			<u>3,449,139</u>
Balance, December 31, 2012	C		<u>\$ 3,310,546</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH  
DECEMBER 31, 2012 AND 2011

C-3

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Fund Balance	\$ 185,693	\$ 144,774
Grants Receivable	(125,884)	(125,884)
Capital Improvement Fund	98,036	136,536
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	39,659	320,621
Trust Interfund	15,000	15,000
Current Interfund	288,272	
Grant Interfund	(100,000)	
 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	2,359
05-17/05-28	Various Capital Improvements	231
05-29	Various Capital Improvements	498,146
06-14	Various Capital Improvements	168,350
06-15	Various Capital Improvements	181,299
07-17	Capital Ordinance	1,367
07-18/09-26	Various Capital Improvements	52,596
08-20	Various Public Improvements and Acquisitions	125,194
09-25	Various Public Improvements and Acquisitions	121,816
09-34	Refunding Tax Appeals	87,910
10-21	Various Capital Improvements	18,246
10-38	Acquisition of Equipment	8,710
11-21	Improvements to Cory Road	20,000
11-09	Various Capital Improvements	285,980
12-17	Various Capital Improvements	1,085,054
12-33	Speedwell Development	85,825
12-35	Park Improvements Pool	210,000
		\$ 3,310,546
		\$ 1,888,583

See Independent Auditors' Report

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF GRANTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2012

C-4

<u>Ord. No</u>	<u>Agency</u>	Balance December 31, <u>2011</u>	<u>Grant Receipts</u>	Balance December 31, <u>2012</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
		\$ 125,884	\$	\$ 125,884

Reference

C

C

STATEMENT OF DUE TO TRUST FUND  
DECEMBER 31, 2012 AND 2011

C-5

Balance, December 31, 2012 and 2011	<u>Ref.</u>	<u>\$ 15,000</u>
	C	

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED C-6  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011	C		\$ 27,021,426
Increased by:			
2012 Bonds Issued	C-11		4,845,000
			<u>31,866,426</u>
Decreased by:			
2012 Budget Appropriation to Pay Serial Bonds	C-11	\$ 4,445,953	
Debt Refunded	C-11	<u>4,903,000</u>	<u>9,348,953</u>
Balance, December 31, 2012	C		<u>\$ 22,517,473</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
YEAR ENDED DECEMBER 31, 2012

C-7

Ord. Number	Improvement Description	Balance December 31, 2011	2012 Authorizations	Budget Appropriation and Cancellation	Balance December 31, 2012	Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations	Analysis of Balance December 31, 2012	
08-20	Various Public Improvements	\$ 1,243,900	\$	\$ 63,802	\$ 1,180,098	\$ 1,180,098	\$	\$		
09-25	Various Public Improvements	459,000			459,000	459,000				
07-18/09-26	Various Public Improvements	123,000			123,000	123,000				
09-34	Refunding Tax Appeals	830,000	201,430		628,570	628,570				
10-21	Various Capital Improvements	819,000			819,000	819,000				
10-38	Communications Equipment	371,000			371,000	371,000				
11-21	Corey Road	380,000		(380,000)						
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				
		\$ 5,367,900	\$ 3,668,500	\$ (114,768)	\$ 8,391,168	\$ 8,391,168	\$	\$		

Ref. C C-8 C-8 C-10 C-10 C



TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CONTRACTS PAYABLE  
YEAR ENDED DECEMBER 31, 2012

C-9

	<u>Ref.</u>	
Balance, December 31, 2011	C	\$ 320,621
Decreased by:		
Cancelled	C-8	<u>280,962</u>
Balance, December 31, 2012	C	<u><u>\$ 39,659</u></u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF BOND ANTICIPATION NOTES  
YEAR ENDED DECEMBER 31, 2012

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>2011</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2012</u>
08-20	Various Public Improvements. & Acquisition	6/14/2012	6/14/2013	1.50%	\$ 1,243,900	\$ 1,243,900	\$ 1,307,702	\$ 1,180,098
09-34	Refunding Tax Appeals	6/14/2012	6/14/2013	1.50%	830,000	830,000	1,031,430	628,570
09-25	Various Public Improvements	6/14/2012	6/14/2013	1.50%	459,000	459,000	459,000	459,000
07-18/09-26	Various Public Improvements	6/14/2012	6/14/2013	1.50%	123,000	123,000	123,000	123,000
21-10	Various Public Improvements	6/14/2012	6/14/2013	1.50%	819,000	819,000	819,000	819,000
38-10	Acq. of Communication Equipment	6/14/2012	6/14/2013	1.50%	371,000	371,000	371,000	371,000
09-11	Various Capital Improvements	6/14/2012	6/14/2013	1.50%		1,142,000		1,142,000
12-17	Various Capital Improvements	9/7/2012	6/14/2013	1.029%		1,669,000		1,669,000
12-33	Speedwell Development	11/30/2012	6/14/2013	1.00%		1,800,000		1,800,000
12-35	Park Improvements Pool	11/30/2012	6/14/2013	1.00%		199,500		199,500
					<u>\$ 3,845,900</u>	<u>\$ 8,656,400</u>	<u>\$ 4,111,132</u>	<u>\$ 8,391,168</u>

C

C

Ref.

Rolled	Contra	\$ 3,845,900	\$ 3,845,900
Budget Appropriation	C-7		265,232
Issued	C-2	4,810,500	
		<u>\$ 8,656,400</u>	<u>\$ 4,111,132</u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

C-11  
Sheet # 1

STATEMENT OF GENERAL SERIAL BONDS  
YEAR ENDED DECEMBER 31, 2012

Issue	Date of Issue	Original Issue	Maturity of Bonds Outstanding December 31, 2012	Date	Amount	Interest Rate	Balance, December 31, 2011	Increase	Decrease	Balance, December 31, 2012
General Bonds of 2002 - Capital Improvemer	5/1/02	\$ 15,703,000	\$				\$ 6,133,000	\$	6,133,000	\$
Refunding Bonds of 2002	12/1/02	3,750,512					253,520		253,520	
Refunding Bonds of 2005	2005	7,961,260		8/1/13	638,537	6.40	5,812,882		607,082	5,205,800
				8/1/14	673,137	6.40				
				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		9/15/13	1,250,000	3.75	9,583,000		750,000	8,833,000
				9/15/14	1,250,000	3.75				
				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	2/1/2007	6,168,818		2/1/13	451,765	5.45	2,588,394		1,544,151	1,044,243
				2/1/14	466,577	5.45				
				2/1/15	125,901	5.45				



TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF RESERVE FOR REFUNDING BOND ISSUANCE COSTS C-12  
DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	
Balance, December 31, 2012 and 2011	C	<u>\$ 15,201</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT SERVICE  
DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	
Balance, December 31, 2012 and 2011	C	<u>\$ 506</u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS  
YEAR ENDED DECEMBER 31, 2012

	<u>Balance,</u> <u>December 31,</u> <u>2011</u>	<u>Received</u>	<u>Balance,</u> <u>December 31,</u> <u>2012</u>
Computer Upgrades	\$ 7,946	\$	\$ 7,946
Traffic Study	4,650		4,650
Open Space	15,000		15,000
Developer's Contribution	20,000		20,000
	<u>\$ 47,596</u>	<u>\$</u>	<u>\$ 47,596</u>
<u>Ref.</u>	C		C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2012

C-15

	<u>Ref.</u>		
Balance, December 31, 2011	C		\$ 136,536
Increased by:			
Cancellation of Improvement Authorization	C-8	\$ 20,000	
Budget Appropriation	C-16	20,000	40,000
			176,536
Decreased by:			
Appropriated to Finance Imprvt. Authorizations	C-8		78,500
			78,500
Balance, December 31, 2012	C		\$ 98,036

STATEMENT OF DUE TO/FROM CURRENT FUND  
YEAR ENDED DECEMBER 31, 2012

C-16

	<u>Ref.</u>		
Balance, December 31, 2011	C		\$
Increased by:			
Capital Improvement Fund Appropriation	C-15	\$ 20,000	
BAN paid by Capital Fund	C-2	265,232	
BAN interest paid by Capital Fund	C-2	57,689	
Transferred to Current Fund	C-2	1,312,043	1,654,964
			1,654,964
Interest Income due to Current Fund	C-2	55	
Improvement Authorizations	C-8	1,943,180	1,943,235
			1,943,235
Balance, December 31, 2012 (Due to)			\$ 288,272

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2012

C-17

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2011</u>	<u>2012</u> <u>Authorizations</u> <u>and</u> <u>Cancellation</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes Issued</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
11-09	Various Capital Improvements	\$ 1,142,000	\$	\$ 1,142,000	\$
11-21	Corey Road	380,000	(380,000)		
12-17	Various Capital Improvements		1,669,000	1,669,000	
12-33	Speedwell Development		1,800,000	1,800,000	
12-35	Park Improvements Pool		199,500	199,500	
		\$ 1,522,000	\$ 3,288,500	\$ 4,810,500	

See Independent Auditors' Report

**SEWER UTILITY FUND**

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CASH - SEWER TREASURER  
DECEMBER 31, 2012 AND 2011

D-5

	<u>Ref.</u>	<u>Operating Fund</u>		<u>Capital Fund</u>
Balance, December 31, 2011	D	\$ 504,863		\$ 737,105
Increased by Receipts:				
Consumer Accounts Receivable	D-6	\$ 7,971,271		
Reserve for Sewer Connection Fees	D-17		\$ 107,695	
Anticipated Revenues	D-3	126,733		
Payments from Capital	D-16	658,844		
Receipts from Sewer Capital	D-24	670,030		
Premium on Note Sale	D-2		51,773	
Interest on Investments	D-24		30	
Overpayments	D-12	32,383		
Bond Anticipation Note	D-19		6,728,500	
		<u>9,459,261</u>		<u>6,887,998</u>
Decreased by Disbursements:				
2012 Budget Appropriations	D-4	5,856,977		
Improvements Authorizations	D-23		586,820	
Encumbrances Payable	D-10	51,526		
Bond Anticipation Note	D-19		4,154,982	
Accrued Interest on Bonds/Loans/Notes	D-14	276,240		
Payments to Operating Fund	D-24		670,000	
Accounts Payable	D-11	6,387		
Payments to Current Fund	D-16	3,224,844		
Appropriation Reserves	D-9	64,632		
		<u>9,480,606</u>		<u>5,411,804</u>
Balance, December 31, 2012	D	<u>\$ 483,518</u>		<u>\$ 2,213,299</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

ANALYSIS OF SEWER UTILITY CAPITAL CASH  
DECEMBER 31, 2012 AND 2011

D-5A

	Balance December 31, <u>2012</u>	Balance December 31, <u>2011</u>
Fund Balance	\$ 53,549	\$ 83,239
Contracts Payable	1,907,546	275,153
Reserve for Sewer Connections	108,420	234,725
Reserve for Refunding Bond Issuance Costs		5,123
Capital Improvement Fund	62,000	62,000
Interfund	(80,386)	269,000

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	(196,894)	(196,064)
08-21	Various Sewer Improvements	(5,475)	1,962
10-15	Sewer Line Replacement	7,263	8,093
10-20	Facility Repairs & Improvements	4,157	298,596
11-10	Various Sewer Repairs	100,343	(190,699)
11-20	Improv. to Sewer Utility Complex	44,000	(124,000)
12-16	Facility Repairs & Improvements	198,799	
		<u>\$ 2,213,299</u>	<u>\$ 737,105</u>

STATEMENT OF CONSUMER'S ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

D-6

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 288,865
Increased by:		
Sewer Rents Levied	Reserve	8,063,130
		8,351,995
Decreased by:		
Sewer Rents Collected:		
Cash Receipts	D-5	7,971,271
Overpayments Applied	D-12	37,283
	D-3	8,008,554
Balance, December 31, 2012	D	\$ 343,441

See Independent Auditors' Report



TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF APPROPRIATION RESERVES -  
OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

D-9

	Balance December 31, <u>2011</u>	Modified <u>Budget</u>	Paid or Charged	Balance <u>Lapsed</u>
Operating:				
Salary and Wages	\$ 18,259	\$ 18,259	\$ 18,259	\$
Other Expenses	26,373	26,373	26,373	
Other Sewer Expenses	13,000	13,000	13,000	
Statutory:				
Social Security	7,000	7,000	7,000	
	<u>\$ 64,632</u>	<u>\$ 64,632</u>	<u>\$ 64,632</u>	<u>\$</u>
<u>Ref.</u>	D		D-5	D-1

STATEMENT OF ENCUMBRANCES PAYABLE  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

D-10

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 51,526
Increased by:		
Charges to 2012 Appropriations	D-4	75,460
		126,986
Decreased by;		
Cash Disbursements	D-5	51,526
Balance, December 31, 2012	D	\$ 75,460

STATEMENT OF ACCOUNTS PAYABLE  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

D-11

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 6,387
Decreased by:		
Cash Disbursements	D-5	6,387
Balance, December 31, 2012	D	\$

See Independent Auditors' Report

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF OVERPAYMENTS -  
OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

D-12

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 37,283
Increased by:		
Overpayments in 2012	D-5	32,383
		<u>69,666</u>
Decreased by:		
Applied to Sewer User Charges	D-6	37,283
		<u>37,283</u>
Balance, December 31, 2012	D	<u>\$ 32,383</u>

STATEMENT OF RESERVE FOR REFUNDING BOND ISSUANCE COSTS  
SEWER UTILITY CAPITAL FUND  
DECEMBER 31, 2012

D-13

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 5,123
Decreased by:		
Anticipated Revenue	D-24	5,123
		<u>5,123</u>
Balance, December 31, 2012	D	<u>\$</u>

STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

D-14

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 276,240
Increased by:		
Budget Appropriation for:		
Interest on Bonds and Notes	D-4	236,798
		<u>513,038</u>
Decreased by;		
Cash Disbursements	D-5	276,240
		<u>276,240</u>
Balance, December 31, 2012	D	<u>\$ 236,798</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND  
DECEMBER 31, 2012 AND 2011

D-15

	<u>Ref.</u>	
Balance, December 31, 2012 and 2011	D	\$ <u>62,000</u>

STATEMENT OF DUE TO CURRENT FUND  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

D-16

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$
Increased by:		
Cash receipts	D-5	658,844
Budget Appropriation	D-4	<u>2,566,000</u>
		3,224,844
Decreased by:		
Cash Disbursements	D-5	<u>3,224,844</u>
Balance, December 31, 2012	D	\$ <u>          </u>

STATEMENT OF RESERVE FOR SEWER CONNECTION FEES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

D-17

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 234,725
Increased by:		
Cash Receipts	D-5	<u>107,695</u>
		342,420
Decreased by:		
Realized in Operating Fund	D-24	<u>234,000</u>
Balance, December 31, 2012	D	\$ <u>108,420</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF SERIAL BONDS -  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

D-18  
Sheet # 1

Issue	Date of Issue	Original Issue	Date	Maturity of Bonds Outstanding December 31, 2012		Interest Rate	Balance, December 31, 2011	Increase	Decrease	Balance, December 31, 2012
				Amount	%					
Sewer Bonds of 2002 - Sewer Imp.	5/1/02	\$ 1,390,000		\$	80,000		\$ 80,000	\$	80,000	\$
Refunding Sewer Bonds of 2002	12/1/02	8,084,488			546,480		546,480		546,480	
Refunding Bonds of 2005	2005	6,843,105	8/1/13	376,464	6.40		3,427,115	357,919	3,069,196	
			8/1/14	396,863	6.40					
			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					
Refunding Bonds of 2006	4/6/06	8,750,000					2,250,000	2,250,000		
Sewer Utility Bonds	9/15/07	1,512,000	9/15/13	80,000	3.75		1,192,000	80,000	1,112,000	
			9/15/14	155,000	3.75					
			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	2/1/13	158,235	5.45		906,605	540,849	365,756	
			2/1/14	163,422	5.45					
			2/1/15	44,099	5.45					



TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF BOND ANTICIPATION NOTES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

D-19

<u>Ord No.</u>	<u>Date of Original Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2012</u>
08-10	Solar Energy Project	9/16/08	06/14/13	1.50 %	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000
08-21	Various Sewer Improvements	9/16/08	06/14/13	1.50	271,500	274,982	268,018
10-15	Replacement of Sewer Lines	06/14/11	06/14/13	1.50	100,000.00	100,000.00	100,000
10-20	Various Sewer Facility Repairs & Improvements	06/14/11	06/14/13	1.50	680,000	680,000	680,000
11-20	Improvement to Sewer Utility Complex	06/14/12	06/14/13	1.50	2,000,000		2,000,000
11-20	Facility Repairs & Improvements	06/14/12	06/14/13	1.50	377,000		377,000
12-16	Facility Repairs & Improvements	9/7/12	06/14/13	1.029	200,000		200,000
				\$ 4,151,500	\$ 6,728,500	\$ 4,154,982	\$ 6,725,018
			<u>Ref.</u>	D	D-5	D-5	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

D-20

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 275,153
Increased by:		
Charged to Improvement Authorizations	D-23	<u>1,632,393</u>
Balance, December 31, 2012	D	<u><u>\$ 1,907,546</u></u>

STATEMENT OF RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

D-21

	<u>Ref.</u>	
Balance, December 31, 2011	D	\$ 53,654,322
Increased by: .		
Serial Bonds:		
Paid by Budget Appropriation - Serial Bonds	D-18	<u>3,889,048</u>
Balance, December 31, 2012	D	<u><u>\$ 57,543,370</u></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, 2012

D-22

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2011</u>	Increased by Grant Proceeds	Transfer (To) From Reserve for Amortization	Balance December 31, <u>2012</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	1,515,298			1,515,298
		<u>\$ 1,526,763</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,526,763</u>
		<u>Ref.</u>	D		D



TOWN OF MORRISTOWN  
SEWER UTILITY FUND

INTERFUNDS  
DECEMBER 31, 2012 AND 2011

D-24

	<u>Ref.</u>	<u>Sewer Operating Fund</u>	<u>Sewer Capital Fund</u>
Balance December 31, 2011			
Due from	D	\$ 269,000	
Due (to)	D		\$ (269,000)
Increased by:			
Anticipated Revenue:			
Connection Fees	D-3	234,000	
Fund Balance	D-2	81,521	
Reserve for Refunding Bond Insurance	D-3	5,123	
Cash Transferred to Operating Fund	D-5		670,000
Interest Income due to Operating Fund	D-5		30
		589,644	401,030
Decreased by:			
Reserve for Sewer Connection Fees - Due to Operating Fund	D-17		(234,000)
Fund Balance	D-2		(81,521)
Reserve for Refunding Bond Insurance	D-13		(5,123)
Cash Transferred from Capital	D-5	670,000	
Interest Income due from Capital	D-3	30	
		670,030	(81,644)
Balance December 31, 2012			
Due (to)	D	\$ (80,386)	
Due from	D		\$ 80,386

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

D-25

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2011</u>	<u>2012 Authorizations</u>	<u>Notes Issued</u>	<u>Balance December 31, 2012</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
10-15	Sewer Line Replacement				
10-20	Facility Repairs & Improvements				
11-20	Improvement to Sewer Utility Complex	2,000,000		2,000,000	
11-20	Facility Repairs & Improvements	377,000		377,000	
12-16	Facility Repairs & Improvements		200,000	200,000	
12-34	Sewer Complex - Supplemental		625,000		625,000
		\$ 3,162,697	\$ 825,000	\$ 2,577,000	\$ 1,410,697
	<u>Ref.</u>	D	D-8		D

See Independent Auditors' Report

**AIRPORT UTILITY FUND**

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2012

E-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2011	E	\$ 41,109	\$ 129,874
Increased by Receipts:			
Received from Federal Aviation Administration	E-9	\$	\$1,194,453
Rental Payments Received	E-6	189,080	
Interest on Investments	E-3	<u>1</u>	
		<u>189,081</u>	<u>1,194,453</u>
Decreased by Disbursements:			
Paid to Lessee	E-11	134,460	
Due to Current Fund	E-18	<u>          </u>	<u>1,108,930</u>
		<u>134,460</u>	<u>1,108,930</u>
Balance, December 31, 2012	E	<u>\$ 95,730</u>	<u>\$ 215,397</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

E-5a

ANALYSIS OF CAPITAL CASH  
DECEMBER 31, 2012 AND 2011

	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2011</u>
Fund Balance	\$ 211	\$ 211
Due from FAA	(2,684,161)	(3,222,917)
Due from State of New Jersey	(156,981)	(255,013)
Due to (from) Lessee	(24,871)	11,556
Due to Current Fund	235,171	
Reserve for Future Improvements	106,517	106,517
Contracts Payable	1,908,661	2,658,670

Ord. No.                      Improvement Authorizations:

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	364,143	364,143
03-02/03-26/03-42	Airport Circuit Replacement	16,415	16,415
03-21	Taxiway A&B	2,954	2,954
04-34	Rehabilitation of Runway 13-31	3,829	3,829
04-	Airport Obstruction Study	1,290	1,290
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-	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	Taxiway Survey Runways 5 & 23	3,564	3,564
24-08	Airport Obstruction Removal	6,267	6,267
11-09	Electrical, Ramps	4,306	4,306
13-09	Employee Wildlife Training Program	3,275	3,275
14-09	Airport Layout Plan/Master	6,030	6,030
30-09	Runway Guard Lights	17,764	17,764
10-08	Design/Permitting Taxiway A	11,875	11,875
10-18	Rehabilitation Taxiway A	89,400	89,400
		\$ 215,397	\$ 129,874

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE  
OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

E-6

	<u>Ref.</u>	
Balance, December 31, 2011	E	\$
Increased by:		
Lease Rental Accrued	Reserve	189,080
		<u>189,080</u>
Decreased by:		
Collections		
Cash Receipts	E-5	189,080
		<u>189,080</u>
Balance, December 31, 2012		<u><u>\$</u></u>

STATEMENT OF FIXED CAPITAL  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

E-7

	Balance December 31, <u>2011</u>	Additions by <u>Ordinance</u>	Balance December 31, <u>2012</u>
Building, Hangars, Lighting and Fencing	\$ 5,117,202	\$	\$ 5,117,202
Apron and Taxiways	16,195,075		16,195,075
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		3,959,226
Drainage Improvements	588,283		588,283
Electrical Vault Relocation/Circuit Replacement	1,405,734		1,405,734
Airport Overlay Project	860,587		860,587
Airport Layout Plan Update	225,000		225,000
Master Plan	46,455		46,455
Environmental Assessment	116,803		116,803
Automated Weather Observation System	328,759		328,759
Runway Rehabilitation and Improvements	17,249,076		17,249,076
Prec. Approach Indicator (PAPI)	46,826		46,826
Deer Fence	1,072,377		1,072,377
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
	<u>\$ 54,206,479</u>	<u>\$</u>	<u>\$ 54,206,479</u>
Ref.	E		E

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

E-8

Ord.	<u>No. Improvement Description</u>	Balance, December 31, <u>2011</u>	2012 Authorizations Deferred Reserve for <u>Amortization</u>	Cost (To) From <u>Fixed Capital</u>	Balance, December 31, <u>2012</u>
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	Employee Wildlife Training Program	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
		<u>\$ 6,564,576</u>	<u>\$ 728,550</u>	<u>\$</u>	<u>\$ 7,293,126</u>
Ref.	E		E-13		E

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM FEDERAL AVIATION ADMINISTRATION  
CAPITAL FUND E-9  
YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	E	\$ 3,222,917
Increased by:		
2012 Improvement Authorizations	E-15	655,697
		<u>3,878,614</u>
Decreased by:		
Cash Receipts	E-5	1,194,453
		<u>1,194,453</u>
Balance, December 31, 2012	E	<u>\$ 2,684,161</u>

STATEMENT OF DUE FROM STATE OF NEW JERSEY  
CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

E-10

	<u>Ref.</u>	
Balance, December 31, 2011	E	\$ 255,014
Increased by:		
2012 Improvement Authorizations	E-15	36,427
		<u>291,441</u>
Decreased by:		
Adjustment - Due from State of NJ	E-18	134,460
		<u>134,460</u>
Balance, December 31, 2012	E	<u>\$ 156,981</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM/TO LESSEE  
CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

E-11

	<u>Ref.</u>	
Balance, December 31, 2011 (Due to)	E	\$ (11,556)
Increased by:		
Due from Current Fund	E-19	\$ 134,460
2012 Improvement Authorizations	E-15	36,427
		159,331
Decreased by:		
Cash Disbursed	E-5	134,460
		\$ 24,871
Balance, December 31, 2012 (Due from)	E	

STATEMENT OF APPROPRIATION RESERVES  
OPERATING FUND  
YEAR ENDED DECEMBER 31, 2012

E-12

	<u>Balance, December 31, 2011</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:				
Other Expenses	\$ 5,000	\$ 5,000	\$	\$ 5,000
	\$ 5,000	\$ 5,000	\$	\$ 5,000
<u>Ref.</u>	E	E		E-1

See Independent Auditors' Report

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

E-13

STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
DECEMBER 31, 2012

<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>	<u>2011 Funded</u>	<u>Contribution From Lessee</u>	<u>State Grants</u>	<u>FAA Grants</u>	<u>Cancelled Contracts Payable</u>	<u>Paid or Charged</u>	<u>2012 Funded</u>
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						2,954
04-30	Airport Obstruction Study	70,000	1,290						1,290
04-34	Rehabilitation of Runway 13-31	361,855	3,829						3,829
04-35	Aircraft Deicing Apron - Phase II	2,655,054	94,339						94,339
04-36/05-27	Airport Obstruction Removal	387,479	7,867						7,867
04-37/06-16	Electrical Vault Relocation	922,148	14,971						14,971
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						11,999
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						6,267
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
30-09	Runway Guard Lights	21,563	17,764						17,764
10-08	Design/Permitting Taxiway A	250,000	11,875						11,875
10-18	Rehabilitation Taxiway A	3,250,807	89,400						89,400
12-22	Hazard Assessment and Management	141,866		7,093	7,093	127,679		141,865	
12-37	Certain Capital Improvements	586,687		29,334	29,334	528,018		586,686	
		\$ 830,850	\$ 36,427	\$ 36,427	\$ 36,427	\$ 655,697	\$	\$ 728,551	\$ 830,850

E

E-16

E-8

E-8

E-8

E

Ref.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF RESERVE FOR AMORTIZATION  
CAPITAL FUND  
DECEMBER 31, 2012 AND 2011

E-14

	<u>Ref.</u>	
Balance, December 31, 2012 and 2011	E	<u>\$ 54,206,479</u>

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION  
CAPITAL FUND  
YEARS ENDED DECEMBER 31, 2012 AND 2011

E-15

	<u>Ref.</u>		
Balance, December 31, 2011	E		\$ 6,564,576
Increased by:			
2012 Fixed Capital Authorized:			
Contribution from Lessee	E-11	\$ 36,427	
Contribution from the State	E-10	36,427	
Contribution from FAA	E-9	<u>655,697</u>	
			<u>728,551</u>
Balance, December 31, 2012	E		<u>\$ 7,293,127</u>

Analysis of Balance at December 31, 2012

<u>Description</u>	Balance, December 31, <u>2012</u>
Overlay of Runway 5-23	\$ 139,326
Deer Fence Phase III	2,623
Airport Layout Plan	425,000
Airport Circuit Replacement	16,415
Taxiway A & B	2,954
Runway Safety Study	1,290
Rehabilitation of Runway 13-31	3,829
Aircraft Deicing Apron - Phase II	94,339
Airport Obstruction Removal	7,867
Electrical Vault Relocation	14,971
Drainage Improve Design	2,000
Prec. Approach Indicator (PAPI)	2,599
Automated Weather Obs. Sys.	11,999
Drain Imp. R/W 13 & W. Tie Down	10,067
Airport Layout Plan Update	13,947
Taxiway Survey Runways 5 & 23	3,564
Airport Obstruction Removal	489,035
Runway Crack Sealing	100,000
Employee Wildlife Training Program	4,025
Airport Layout Plan/Master	232,362
Runway Guard Lights	17,764
Obstruction Removal Phase I Runway 23	433,293
Design/Permitting Taxiway A	250,000
Rehabilitation Taxiway A	3,250,807
Hazard Management	141,865
Airport Obstruction Removal & Rehab.	<u>1,621,186</u>
	<u>\$ 7,293,127</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2012

E-16

	<u>Ref.</u>	
Balance, December 31, 2011	E	\$ 2,658,670
Increased by:		
Charges to Improvement Authorizations	E-13	728,551
		3,387,221
Decreased by:		
Due to Current Fund	E-18	1,478,561
		1,478,561
Balance, December 31, 2012	E	\$ 1,908,660

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS  
AIRPORT UTILITY CAPITAL FUND  
DECEMBER 31, 2012 AND 2011

E-17

	<u>Ref.</u>	
Balance, December 31, 2012 and 2011	E	\$ 106,517

STATEMENT OF DUE TO CURRENT FUND  
AIRPORT UTILITY CAPITAL FUND  
DECEMBER 31, 2012 AND 2011

E-18

	<u>Ref.</u>	
Balance, December 31, 2011	E	\$
Increased By:		
Contracts Payable	E-16	1,478,561
		1,478,561
Decreased by:		
Cash Disbursed to Current Fund	E-5	\$ 1,108,930
Adjustment to Due from State of NJ	E-10	134,460
		1,243,390
Balance, December 31, 2012	E	\$ 235,171

See Independent Auditors' Report

TOWN OF MORRISTOWN  
 STATEMENT OF DUE TO CURRENT FUND  
 AIRPORT OPERATING FUND  
DECEMBER 31, 2012 AND 2011

E-19

	<u>Ref.</u>	
Balance, December 31, 2011	E	\$
Increased by:		
Fund Balance Anticipated by Current Fund	E-4	194,000
		<u>194,000</u>
Decreased by:		
Funds Disbursed to Current Fund	E-18	134,460
		<u>134,460</u>
Balance, December 31, 2012	E	<u>\$ 59,540</u>

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

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**PART II  
GOVERNMENT AUDITING STANDARDS  
AND  
SINGLE AUDIT SECTION  
YEAR ENDED DECEMBER 31, 2011**

**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, 2012, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated June 14, 2013.

**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 identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2, 2012-5 and 2012-8 to be significant deficiencies.

### 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 questioned costs.

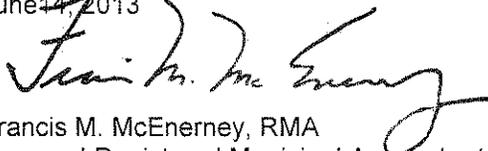
The Town responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and accordingly, we express no opinion on it.

### 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 14, 2013



Francis M. McEnerney, 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, 2012. 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, 2012.

**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.

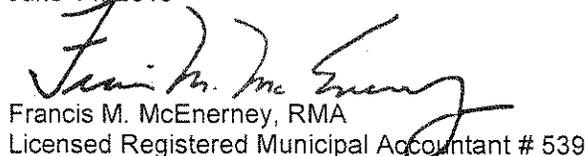
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

#### **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, 2012, and have issued our report thereon dated June 14, 2013, 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 14, 2013



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

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2012

Federal Funding Department and Description	Grant Number	C.F.D.A. No.	Award Amount	2012 Funds Received	Cancelled	12/31/12 Expenditures	Cumulative Expenditures
Housing and Urban Development: Community Development Block Grants:	B-09-UV-34-0101	14,218	\$ 30,000	\$	\$	\$	\$ 29,471
Redevelopment Plan- Center and Coal Street		14,218	135,000			31,109	90,308
2009 Park Improvements- Pocahontas Park		14,218	80,000				79,154
2009 Senior Center			245,000			31,109	198,933
US Department of Homeland Security: Assistance to Firefighters	EMW-2008-FO-11636	83,554	80,912				79,073
2008 Turnout Gear		83,554	200,911			8,754	177,668
2009 Regional							
Disaster Grants - Public Assistance		97,036	254,854	254,854		254,854	254,854
FEMA			536,677	254,854		263,608	511,595
US Department of Transportation: Airport Improvement Program:	6070-100-XXX	20,106					
Overlay of Runway 5-23 (Ord 2001-17)			250,000				124,714
Deer Fence Phase III (Ord 201-03-Project 98-24)			540,000				537,377
Airport Layout Plan/Environ. Assessment (Ord 2003-1)			382,500				40,441
Runway Safety Study			70,000				70,000
Airfield Circuit Replacement (Ord 2003-1/2003-26/2003-42)			300,000				283,585
Reconstruction of Taxiway A & B (Ord 2003-21)			3,757,500				3,754,546
Aircraft Deicing Apron-Phase II (Ord 2004-35)			2,522,301				2,449,384
Airport Obstruction Removal (Ord 2004-36/2005-27)			353,855				339,933
Rehabilitation Runway 13-31 (Ord 2004-34)			343,762				348,291
Drainage Improve Design (Ord 2005-43)			215,507				215,507
Prec Approach Indicator (PAPI) (Ord 2005-44)			46,953				46,826
Electrical Vault Relocation (Ord 2004-37/2006-16)			876,041				867,929
Automated Weather Obs. Sys (Ord 2006-36)			282,482	54,290			265,633
Drain Imp. RW 13 & W. Tie Down (Ord 2007-31)			122,075				112,511
Airport Layout Plan Update (Ord 2007-32)			227,000				213,750
Rehab Taxiways A & B phase II (Ord 2007-26)			5,386,500				5,119,064
Taxiway Survey Runways 5 & 23 (Ord 2008-23)			90,000				86,614
Airport Obstruction Removal (Ord 2008-24)			464,583				464,583
Airport Layout Master Plan Phase II (Ord 2009-14)			220,743			12,862	184,997
Rehabilitation of Taxiways D.M.C. and L. (Ord 2009-23)			5,707,871	12,862			5,707,871
Obstruction Removal Phase 1 Runway 23 (Ord 2009-31)			411,628				411,628
Rehabilitation of Taxiway A (Ord 10-18)			3,088,266	382,749		368,770	2,498,785
Airport Obstruction Removal & Rehabilitation			982,775				18,725
Conduct EA/Obstruction Removal			190,475				78,519
Runway Feasibility Study (Ord 23-11)			792,300	734,552		698,639	698,639
			29,188,471	1,194,453		1,158,790	26,360,308

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2012

Federal Funding Department and Description	Grant Number	C.F.D.A. No.	Award Amount	2012 Funds Received	Cancelled	12/31/12 Expenditures	Cumulative Expenditures
US Department of Environmental Protection Recreation Trails Program Grant Footes Pond Wood Park	4875-100-205	20.219	25,000 25,000				14,869 14,869
Passed Through State Dept. of Transportation Highway Planning and Construction Improvement to South Street (Ord 2008-20) NJDOT Municipal Aid Program-Abbott Ave (11) NJDOT Municipal Aid Program-Abbott Ave (12) Improvement to South Street Phase 2	6320-480-AJ3	20.205	252,000 150,000 185,000 185,000 772,000	112,500 138,750 251,250		146,400 185,000 32,467 363,867	219,563 146,400 185,000 32,467 583,430
Total - US Department of Transportation Cluster			29,985,471	1,445,703		1,522,657	26,959,207
			\$ 30,767,148	\$ 1,700,557		\$ 1,817,374	\$ 27,669,735

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2012

State Funding Department and Description	Grant Number	C.F.D.A. No.	Award Amount	Funds Received	Cancelled	12/31/12 Expenditures	Cumulative Expenditures
Department of Environmental Protection			\$	\$		\$	\$
2009 Green Communities Grant	4800-533-52000-60		3,000	7,000			3,000
NJ Forest Service - 2010 Business Stimulus Fund			7,000	7,000			7,000
			10,000	7,000			10,000
Department of Transportation							
Airport Improvement Program	100-078-6070						
2004 Aircraft Deicing Apron-Phase II (Ord 2003-35)			66,377				58,066
2005 Drainage Improve Design (Ord 2005-43)			5,671				5,671
2005 Prec Approach Indicator (PAPi) (Ord 2005-44)			1,236				
2007 Rehab Taxiways A & B phase II (Ord 2007-26)			141,750				134,722
2007 Drain Imp. R/W 13 & W. Tie Down (Ord 2007-31)			3,212				2,961
2007 Airport Layout Plan Update (Ord 2007-32)			5,974				5,625
2008 Taxiway Survey Runways 5 & 23 (Ord 2008-23)			2,368				2,279
2008 Airport Obstruction Removal (Ord 2008-24)			12,226				12,226
2009 Runway Crack Sealing (Ord 2009-11)			95,000				90,909
2009 Employee Wildlife Train. Program (Ord 2009-13)			4,025				750
2009 Airport Layout Master Plan (Ord 2009-14)			5,810			339	4,870
2009 Runway Guard Lights (Ord 2009-30)			20,485				3,799
2010 Design/Permitting Taxiway A (Ord 2010-08)			237,500				237,500
2010 Rehabilitation of Taxiway A (Ord 10-18)			81,270			9,704	65,545
Airport Obstruction Removal & Rehabilitation			25,863				493
Conduct EA/Obstruction Removal			5,013			2,067	2,067
Runway Feasibility Study (Ord 23-11)			20,850			18,385	18,385
			734,630			30,495	645,868
Drunk Driving Enforcement Fund							
Program Year 2007	1110-448-031020-22		12,468				12,219
Program Year 2008			10,861				
Program year 2010			19,005			610	8,814
			42,334			610	21,033
Alcohol Education and Rehabilitation Program							
Program Year 2003	760-046-4240-001-260		4,963				2,590
Program Year 2004			2,540				
Program Year 2005			2,385				
Program Year 2006			5,352				
Program Year 2007			2,481				2,481
Program Year 2008			2,517				
Program Year 2009			2,228				1,854
Program Year 2010			2,664				
Program Year 2011			7,173				1,000
Program Year 2012			6,098			2,800	2,500
			38,401			2,800	10,425

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2012

State Funding Department and Description	Grant Number	C.F.D.A. No.	Award Amount	Funds Received	Cancelled	12/31/12 Expenditures	Cumulative Expenditures
State Affordable Housing Grant Program Year 2007	100 022 8050 184		12,500 12,500				
NJ Highlands Water Protection and Planning Program Year 2005			12,500 12,500				
Recycling Tonnage Grant Program Year 2007	4900-752-178840-60		6,564				6,242
Program Year 2008			16,009				1,048
Program Year 2009			31,415				16,571
Program Year 2010			22,893				50,800
Program Year 2012			35,838	35,838		50,800	74,661
Clean Communities Grant Program Program Year 2009	4900-765-178900		24,918				4,337
Program Year 2010			25,923				25,135
Program Year 2011			25,567				21,985
Program Year 2012			25,642	25,165		26,410	26,410
Department of Community Affairs 2010 Lead Testing Grant	100 022 8020 076		102,050	25,165		26,410	77,867
			29,890			2,892	31,869
			29,890			2,892	31,869
Body Armor Replacement Fund Program Year 2006	1020-718-0661020-001		5,367				224
Program Year 2007			5,616				5,715
Program Year 2008			12,199				
Program Year 2009			5,715				
Program Year 2010			6,595				6,015
Program Year 2012			9,897	9,897		2,800	2,800
			45,389	9,897		2,800	14,754
Green Acres- Growth Planning Grant Program Year 2004 Hillcrest Park	1424-10-036		4,250				3,250
			100,000	93,333		100,000	100,000
			104,250	93,333		100,000	103,250
Smart Growth Planning Grant Program Year 2002	100 022 8070 039		131,000				122,935
			131,000				122,935

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2012

State Funding Department and and Description	Grant Number	C.F.D.A. No.	Award Amount	Funds Received	Cancelled	12/31/12 Expenditures	Cumulative Expenditures
Dodge Foundation Office of Sustainability Program Year 2010			80,000			20,060	80,000
Program Year 2011			155,000			54,266	155,000
Program Year 2012			50,000	50,000		9,665	9,665
			285,000	50,000		83,981	244,665
2009 Sustainable Jersey Grant Program Year 2009			25,000				25,000
			25,000				25,000
Rutgers Mini Grant - Health Program Year 2012			2,500	2,500		144	144
			2,500	2,500		144	144
2011 NJHOA Emergency Notification Grant Program Year 2011	100-046-4220-316		25,000				25,000
			25,000				25,000
			\$ 1,713,163	\$ 229,831	\$	\$ 300,932	\$ 1,407,471

See Notes to Schedules of Federal and State Awards

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

**TOWN OF MORRISTOWN  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AND STATE FINANCIAL AWARDS  
DECEMBER 31, 2012**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of the federal and state financial awards of the Town of Morristown. The Town is defined in Note 1 (A) 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 I 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	\$ 658,584	\$ 522,170	\$ 1,435,608
Airport Utility Capital Fund	<u>1,158,790</u>	<u>30,495</u>	<u>1,189,285</u>
	<u>\$ 1,817,374</u>	<u>\$ 552,665</u>	<u>\$ 2,624,893</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 \$199,155 in 2012 for costs incurred in 2011 related to Hurricane Irene.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

*Section I – Summary of Auditor's Results*

**Financial Statements**

Type of auditors' report issued on financial statements Unqualified

Internal control over financial reporting:

- 1) Material weakness(es) identified \_\_\_\_\_ Yes       X       No
- 2) Significant deficiency(ies) that are not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       None

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes       X       No

**Federal Awards Section**

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 Unqualified

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:

<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>
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee?       X       Yes \_\_\_\_\_ No

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

*Section 2 – Financial Statements Findings*

**Finding 2012-1**

**General Ledger(s):**

***Criteria***

General ledgers of all funds should be complete and accurate to appropriately reflect all activity of the respective fund.

***Condition and Effect***

During the course of our audit, it was noted that general ledgers of the major funds were not properly maintained during the year. The balances and/or activity were not reconciled to supporting documents and/or schedules, such as levies and budgeted amounts. As a result, audit adjustments to the general ledgers were required in order to ensure completeness and accuracy. In addition, subsidiary ledgers did not agree to the general ledger, the Current Fund trial balance was not in balance and interfunds were not balanced between funds. It was also noted that corrections of posted activity resulted in multiple entries for corrections were which not made for the proper amounts or in the proper Fund. These corrections, especially electronic transfers, were made numerous times, which could result in difficulties in reconciling account balances and activity.

***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 month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

The Town has implemented month end closing procedures that insure activity is being properly recorded, classified and reconciled to subsidiary ledgers.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-2**

**Cash Receipts:**

***Criteria***

Cash receipts should be deposited in the appropriate Fund bank account and within the statutory time requirements.

***Condition and Effect***

During the course of our audit, it was noted that various cash receipts were not deposited into the correct bank account. As a result, revenues were not realized, transfers were not made and interfunds were created.

***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. Though there is an automatic distribution process within the accounting software program, procedures were not in place to corroborate or verify proper postings to the accounts. The EMS account, which accounts for electronic transfers of revenue, was not managed on a timely basis, resulting in revenues undistributed at month and year end and large interfunds being created.

***Recommendation***

The Town should implement month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. Cash receipts should be analyzed on a timely basis and deposited into the proper Fund. The EMS account should have a zero balance at month end with all electronically received funds transferred to the proper account and Fund.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

The Town has implemented month end closing procedures that insure activity is being properly recorded, classified and reconciled to subsidiary ledgers. Cash receipts are being analyzed on a timely basis and deposited into the proper fund. All monies in the EMS account are analyzed within 48 hours and deposited into the proper Fund.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-3**

**Revenue Recognition:**

***Criteria***

Revenue should be recorded in accordance with statutory and budgetary requirements.

***Condition and Effect***

During the course of our audit, it was noted that cash was not transferred for revenue from other funds that was anticipated as revenue in the Current Fund. As a result, interfunds were created and existed at year end.

***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 month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. When the budget is adopted and cash balances are adequate, Current Fund anticipated revenues from other funds should be transferred.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

Current Fund anticipated revenues have been transferred following the adoption of the current year's budget.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-4**

**Interfunds:**

***Criteria***

Interfunds should be recorded when required in accordance with statutory requirements and liquidated within a reasonable period of time.

***Condition and Effect***

During the course of our audit, it was noted that interfund balances were created as a result of incorrect posting of funds and/or activity. As a result, interfunds were created and existed at year end. Interfunds advanced have a negative impact on the operations of the Current Fund and restrict amounts that can be anticipated as revenue and negatively effect taxes levied.

***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 month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. The trial balances of all Funds should be reviewed by month end and year end for the existence of interfund balances. If an interfund exists and there is adequate cash, all interfunds should be cleared.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

The Town has implemented month end closing procedures that insure activity is being properly recorded, classified and reconciled to subsidiary ledgers. Trial balances are reviewed monthly for the existence of interfunds. All interfunds are cleared at month end.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-5**

**Debt Service Payments:**

***Criteria***

Debt services payments should be disbursed by the appropriate Fund.

***Condition and Effect***

During the course of our audit, it was noted that bond principal and interest was not paid by the Current Fund or the Water Utility Operating Fund, but was paid by the General Capital and the Water Utility Capital Funds. As a result, interfunds were created and existed at year end. Interfunds advanced have a negative impact on the operations of the Current Fund and restrict amounts that can be anticipated as revenue and negatively effect taxes levied.

***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 month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. All debts service payments should be paid from the appropriate operating account.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

All debt service payments are now made from the appropriate fund, either the Current Fund or sewer Operating Fund.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-6**

**Required Year End Payroll Filings:**

***Criteria***

Under the Internal Revenue Service Code ("IRS"), the Town is required to issue Form 1099 to all unincorporated entities (partnership, individual, etc.) paid in excess of \$600 for services received.

***Condition and Effect***

During the course of our audit, it was noted that certain vendors were not issued Form 1099 that met the criteria for IRS reporting.

***Cause***

The condition is a result of the Town not designing, implementing and adhering to relevant payroll reporting requirements.

***Recommendation***

The Town should implement a process to ensure compliance with year end reporting requirements.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

A process has been implemented to ensure compliance with IRS reporting requirements at year end.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-7**

**Trust and Payroll Deductions:**

***Criteria***

Accounts should be reconciled to ensure accuracy and completeness.

***Condition and Effect***

During the course of our audit, it was noted that the trial balances of the Recreation and Payroll Deductions Reserves had incorrect balances.

***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 month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. All Trust fund accounts for employee withholding should be reviewed for accuracy, compliance and timely payments.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

The Town has implemented procedures that insure activity is being properly recorded, classified and reconciled to subsidiary ledgers for payroll deductions and Trust accounts. The Recreation Department has implemented a new software program that properly records and classifies activities and allows reconciliation to the general ledger.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-8**

**Escrow Deposits:**

***Criteria***

Accounts should be reconciled to ensure accuracy and completeness.

***Condition and Effect***

During the course of our audit, it was noted that the escrow deposits are maintained in two separate checking accounts with numerous sub accounts. These accounts and their subsidiaries have not been reconciled in over a year.

***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 month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. All escrow accounts should be reconciled on a timely basis and discrepancies investigated.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

The process of identifying, reconciling and transferring all escrow deposits has been completed.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-9**

**Account Balance Review:**

***Criteria***

Accounts should be periodically reviewed and adjusted as deemed necessary.

***Condition and Effect***

During the course of our audit, it was noted that the General Capital Fund and the Airport Capital Funds 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 Town should implement month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. The grants receivable in the General Capital Fund and certain improvement authorizations in the Airport 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, 2012**

**Finding 2012-10**

**Reserves:**

***Criteria***

Accounts should be periodically reviewed and adjusted as deemed necessary.

***Condition and Effect***

During the course of our audit, it was noted that certain reserves in the Current and Trust Funds have been unchanged for many 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 Town should implement month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. All old reserves be reviewed and, if appropriate, be adjusted or written off. A reserve account exists for arbitrage and management should consider an arbitrage rebate calculation be performed before this is adjusted.

***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, 2012**

**Finding 2012-11**

**Recreation Department:**

***Criteria***

All revenue should be properly recorded in the respective departments.

***Condition and Effect***

During the course of our audit, it was noted that pool fees and recreation trip fees are not included in the recreation department revenue reports.

***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 month end closing procedures in order to ensure that activity is being properly recorded, classified and reconciled to subsidiary ledgers. 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***

The Recreation Department has implemented a new software program that properly records and classifies activities and allows reconciliation to the general ledger.

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-12**

**Clerk's Department:**

***Criteria***

Cash collections for are required to be deposited within 48 hours of receipt, as required by N.J.S.A. 40A5-15.

***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. 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 Office.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-13**

**Clerk's Department:**

***Criteria***

Deposit documentation should be in sufficient detail to as to identify date, source and amount.

***Condition and Effect***

During the course of our engagement, it was noted that the Clerk's Department uses a "summary of receipts" form with each deposit made. The form does not delineate in adequate detail what makes up the deposit. Reconciling deposits to the Finance department's records is difficult.

***Cause***

The condition is a result of the Town not designing, implementing and adhering to relevant accounting policies and procedures, to ensure that sufficient documentation and detail exists to enable proper accounting controls are in place and that cash is properly accounted for and recorded.

***Recommendation***

The Town should review current policies and procedures with respect to existing documentation in order to ensure that funds are properly accounted for and recorded. All funds should be reconciled to the Finance department records.

***Questioned Costs***

There are no known questioned costs.

***Management's Response***

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-14**

**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 Bail Account has approximately \$1,000 in 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 lack of internal controls over the cash function could result in misappropriation of assets.

***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, 2012**

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

NONE

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

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**PART III**

**SUPPLEMENTARY DATA  
LETTER OF COMMENTS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2012**

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$1,460,000	1.95%	\$ 1,923,000	2.62%
Miscellaneous – From Other Than Local				
Property Tax Levies	15,043,325	20.11	12,909,855	17.58
Collection of Delinquent Taxes	427,089	.57	315,006	.44
Collection of Current Tax Levy	57,561,659	76.95	57,931,906	79.34
Other Credits to Income	<u>771,494</u>	<u>.41</u>	<u>316,076</u>	<u>0.44</u>
Total Income	<u>75,263,567</u>	<u>100.00%</u>	<u>73,077,020</u>	<u>100.00%</u>
 <b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	36,265,863	50.93%	37,322,278	51.27%
Transfer to Board of Education	188,326	0.26	207,654	0.28
County Taxes	6,849,239	9.62	6,911,162	9.57
Regional School Taxes	27,623,755	38.80	28,073,030	38.88
Other Expenditures	<u>677,896</u>	<u>0.39</u>	<u>4,676</u>	<u>0.00</u>
Total Expenditures	<u>71,605,079</u>	<u>100.00%</u>	<u>72,228,650</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	3,658,488		848,370	
Plus: Deferred Charges	279,100		99,015	
Fund Balance, Beginning of Year	<u>1,556,035</u>		<u>2,531,650</u>	
	5,493,623		3,479,035	
Less Utilization as Anticipated Revenue	<u>1,460,000</u>		<u>1,923,000</u>	
Fund Balance, End of Year	<u>\$ 4,033,623</u>		<u>\$ 1,556,035</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 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 325,000	3.7%	\$ 325,000	3.60%
Sewer Rents	8,008,554	91.2	8,091,279	89.65
Miscellaneous Revenue Anticipated	447,377	5.1	591,323	6.55
Other Credits to Income			18,572	.20
	<u>8,780,931</u>	<u>100.00%</u>	<u>9,026,174</u>	<u>100.00%</u>
 <b>EXPENDITURES</b>				
Budget Expenditures				
Operating	1,912,296	29.52%	1,772,643	27.99%
Debt Service	4,510,104	69.62	4,506,583	71.14
Statutory Expenditures	<u>56,000</u>	<u>0.86</u>	<u>54,700</u>	<u>0.87</u>
	<u>6,478,400</u>	<u>100.00%</u>	<u>6,333,926</u>	<u>100.00%</u>
Excess in Revenue	2,302,531		2,692,248	
Emergency	143,700			
Adjustment to Income Before Fund Balance				
Anticipated Surplus Appropriated to Current Fund Balance	<u>2,435,000</u>		<u>2,600,000</u>	
Statutory Excess in Revenue to Fund Balance	11,231		92,248	
Fund Balance, Beginning of Year	<u>337,795</u>		<u>579,547</u>	
	349,036		662,795	
Decreased by:				
Utilization by Sewer Operating Budget	<u>325,000</u>		<u>325,000</u>	
Fund Balance, End of Year	<u>\$ 24,026</u>		<u>\$ 337,795</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 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 10,000	4.90%	\$ 10,000	4.90%
Lease Rents	189,080	92.65	189,080	92.65
Non-Budget Revenue	1	0.00	20	0.00
Other Credits to Income	<u>5,000</u>	<u>2.45</u>	<u>5,000</u>	<u>2.45</u>
Total Income	<u>204,081</u>	<u>100.00%</u>	<u>204,100</u>	<u>100.00%</u>
 <b>EXPENDITURES</b>				
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	 199,081		 199,100	
 Adjustment to Income Before Fund Balance				
Anticipated Surplus Appropriated to Current Fund Balance	<u>194,000</u>		<u>194,000</u>	
Statutory Excess in Revenue to Fund Balance	5,081		5,100	
Fund Balance, Beginning of Year	<u>36,159</u>		<u>41,059</u>	
	41,240		46,159	
Decreased by:				
Utilized as Anticipated Revenue	<u>10,000</u>		<u>10,000</u>	
 Fund Balance, End of Year	 <u>\$ 31,240</u>		 <u>\$ 36,159</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.615</u>	<u>\$ 2.635</u>	<u>\$ 2.585</u>
<u>Appointment of Tax Rate</u>			
Municipal	1.016	1.061	1.035
County	.307	.311	.332
Library	.041		
Regional School	1.251	1.263	1.218
<u>Assessed Valuation</u>			
2012	<u>\$ 2,223,416,160</u>		
2011		<u>\$ 2,222,943,460</u>	
2010			<u>\$ 2,244,388,942</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>
2012	\$58,065,575	\$57,561,659	99.13%
2011	58,700,648	57,981,906	98.77%
2010	58,425,833	57,939,968	99.17%

**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>
2012	\$ 3,061,473	\$ 71,034	\$ 3,132,507	5.39%
2011	2,997,031	57,911	3,054,942	5.20%
2010	2,888,850	18,146	2,906,996	4.98%

**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>
2012	\$1,551,200
2011	1,551,200
2010	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>
2012	\$8,063,130	\$8,008,554	99.32%
2011	8,095,624	8,091,279	99.94
2010	8,095,909	8,077,730	99.87

\* 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	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
	2008	1,212,377	381,000
Sewer Utility Operating Fund	2012	\$ 24,026	\$ 20,000
	2011	337,795	325,000
	2010	570,547	325,000
	2009	618,420	300,000
	2008	389,499	285,000
Airport Utility Operating Fund	2012	\$ 31,240	\$ 10,000
	2011	36,159	10,000
	2010	41,059	10,000
	2009	45,533	10,000
	2008	70,491	40,000

**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		
Allison Deeb	Council Member – Vice President		
Raline Smith Reed	Council Member		
Stefan Armington	Council Member		
Rebecca Feldman	Council Member		
Kevin Gsell	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 Kesselmeyer	Deputy Town Clerk		
Richard Fernicola	Superintendent of Public Works		
Joel Rutkowski	Public Works Supervisor		
John Dean	Wastewater Treatment Supervisor		
Elnardo Webster	Municipal Attorney		
Terry Webb	Public Defender		
Robert Rudy	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		
William Hopping	Fire Official		
James Gonroski	Plumbing Sub-Code Official		
Fritz Reuss	Construction Official/Building Subcode Official		
Mark Stepper	Electrical Subcode Official		
Darlene O'Connell	Health Officer		
James Cambell	Zoning Officer		
Linda Politowski	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 NJS 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 was 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.

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The Governing Body on January 1, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes and sewer accounts:

BE IT FURTHER RESOLVED, that the interest charged on 2012 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 20, 2012. 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>
2012	3
2011	1
2010	1

**RECOMMENDATIONS**

1. \* General ledgers and subsidiary ledgers should be maintained in balance on a current basis, including all journal entries.
2. Cash receipts and disbursements should be maintained in the correct fund.
3. Revenue and expenditures should be charged properly to the appropriate budget in the correct fund.
4. All interfunds should be cleared on a monthly basis and at year-end.

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5. \* All revenue collected by the Recreation Department be included in monthly reports and reconciled to amounts turned over to the finance department.
6. \* All revenues collected by Clerk's Office should be properly recorded and reconciled on a monthly basis to amounts recorded by the finance department
7. \* All old reserves in the Current and Trust Funds should be reviewed and, if appropriate be adjusted or written off. Special consideration should be given to the Reserve for Arbitrage Rebate, an arbitrage rebate calculation should be considered before the balance is adjusted.
8. 1099's should be sent to required vendors.

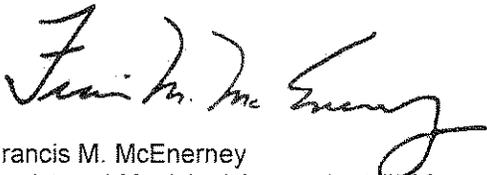
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A review was performed on all prior year recommendations and corrective action was taken on all, except those recommendations denoted with an asterisk (\*).

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.



McEnerney, Brady & Company, LLC  
Livingston, New Jersey  
Certified Public Accountants



Francis M. McEnerney  
Registered Municipal Accountant #539