



TOWN OF MORRISTOWN
MORRIS COUNTY, NEW JERSEY
REPORT OF AUDIT
YEARS ENDED DECEMBER 31, 2016 and 2015

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

PART I

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2016 and 2015**



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 and account group of the Town of Morristown, Morris County, New Jersey (the "Town") which comprise the balance sheets as of and for the years ended December 31, 2016 and 2015, and the related statements of revenues, expenditures and changes in fund balances for the years ended, statements of revenues, statements of expenditures 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 the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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, 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 and requirements prescribed by the Division 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 Town'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 Town'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 on U.S Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Town on the basis of the financial reporting provisions of the Division to demonstrate compliance with Division's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Town as of December 31, 2016 and 2015, for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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 and account group of the Town of Morristown, Morris County, New Jersey, as of December 31, 2016 and 2015, and the respective results of its operations and changes in fund balance for the years then ended in accordance with the financial reporting provisions of the Division, as described in Note 1 to the financial statements.

Report on Supplementary Information as Required by the Division in Accordance with Regulatory-Basis

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as identified as exhibits A-4 through E-20, the comments and recommendations and supplementary information in the table of contents, is presented for purposes of additional analysis as required by the Division and is not a required part of the 2016 regulatory-basis financial statements of the Town. 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 basic financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Supplementary Information as Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 schedule of expenditures of federal 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 May 1, 2017 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.

PKF O'Connor Davies, LLP

May 1, 2017
Livingston, New Jersey

Francis M. McEnerney

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

TOWN OF MORRISTOWN
CURRENT FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

A
Sheet # 1

ASSETS	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
OPERATING FUND			
Cash and Cash Equivalents - Treasurer	A-4	\$ 18,615,389	\$ 19,375,476
Cash - Change Funds	A-5	250	250
		<hr/>	<hr/>
		18,615,639	19,375,726
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-8	1,549,749	621,434
Special Improvement District Taxes Receivable	A-9	29,457	17,771
Tax Tile Lien Receivable	A-10	105,734	101,767
Demolition Liens	A-11	2,946	2,946
Property Acquired for Taxes - Assessed Valuation	A-12	2,193,200	2,193,200
Revenue Accounts Receivable	A-13	80,049	73,011
Due from Southeast Morris County MUA	A-15	1,830,000	1,860,000
Due from Animal Control Fund	A-17		13
Due from General Capital	A-17		1,425
Due from Airport Capital Fund	A-17	60,358	60,358
Due from Grant Fund	A-17	151,319	33
		<hr/>	<hr/>
		6,002,812	4,931,958
Deferred Charges:			
Emergency Authorization	A-28	117,600	
		<hr/>	<hr/>
Total Current Fund		24,736,051	24,307,684
GRANT FUND			
Cash	A-4	80,108	90,771
Grant Receivable	A-30	1,000,396	1,230,623
Due from Trust Fund Other	A-22		12,037
		<hr/>	<hr/>
		1,080,504	1,333,431
		<hr/>	<hr/>
Total		<u>\$ 25,816,555</u>	<u>\$ 25,641,115</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

COMPARITIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

A
Sheet # 2

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	A-3,A-14	\$ 2,003,988	\$ 1,097,922
Encumbrances Payable	A-3,A-14	699,265	623,476
Accounts Payable	A-18	14,709	17,033
Prepaid Taxes	A-21	415,157	456,138
Tax Overpayments	A-23	509,499	562,991
Special Improvement District Tax Prepays	A-24	31,898	10,334
Special Improvement District Taxes Payable	A-25	237,553	208,193
County Taxes Payable	A-19	9,331	339
Regional School Taxes Payable	A-20		169,559
Due from State Senior Citizen and Veterans	A-7	10,512	4,172
Due to State - Other	A-29	10,985	18,962
Due to Trust Other	A-17		1,233
Tax Anticipation Notes	A-26		1,000,000
Miscellaneous Reserves	A-27		285,000
		<u>3,942,897</u>	<u>4,455,352</u>
Reserve for Receivables and Other Assets		6,002,812	4,931,958
Fund Balance	A-1	<u>14,790,342</u>	<u>14,920,374</u>
Total Current Fund		<u><u>24,736,051</u></u>	<u><u>24,307,684</u></u>
GRANT FUND			
Encumbrances Payable	A-32	5,150	5,150
Due to Current Fund	A-31	151,319	33
Reserve for Appropriated Grants	A-33	886,423	1,328,148
Reserve for Unappropriated Grants	A-16	<u>37,612</u>	<u>100</u>
Total Grant Fund		<u><u>1,080,504</u></u>	<u><u>1,333,431</u></u>
Total		<u><u>\$ 25,816,555</u></u>	<u><u>\$ 25,641,115</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Ref.	<u>2016</u>	<u>2015</u>
<u>A-1</u>			
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 4,250,000	\$ 2,475,000
Miscellaneous Revenue Anticipated	A-2	12,997,672	12,205,684
Delinquent Taxes	A-2	610,350	512,835
Current Taxes	A-2	59,100,016	57,502,687
Non-Budget Revenue	A-2	3,267,516	11,937,992
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	618,891	478,895
Cancellation of Miscellaneous Reserves			2,188
Cancellation of School Taxes	A-20	165,392	
Interfund Returned			31,535
Cancellation of Encumbrances			264,361
Total Revenues		<u>81,009,837</u>	<u>85,411,177</u>
Expenditures:			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	15,571,286	15,460,879
Other Expenses	A-3	14,404,886	13,019,794
Capital Improvements	A-3	1,212,000	250,000
Municipal Debt Service	A-3	4,291,188	4,746,295
Deferred Charges and Statutory Expenditures	A-3	3,844,342	3,257,017
Transferred to Regional School Board of Education	A-3	218,777	188,435
County Taxes	A-19	6,945,154	6,278,004
County Open Space Taxes	A-19	245,327	261,586
Due County - Added Taxes	A-19	9,331	339
Regional School Taxes	A-20	30,115,332	28,277,025
Due from State of NJ			17,381
Tax Appeals			357,782
Interfunds Created	A-17	<u>149,847</u>	
Total Expenditures		<u>77,007,470</u>	<u>72,114,537</u>
Excess Revenues		4,002,368	13,296,640
Adjustments to Income Before Fund Balance			
Deferred Charges to Budget of the Succeeding Year:			
Emergency Appropriation	A-27	117,600	
Statutory Excess in Fund Balance		\$ 4,119,968	\$ 13,296,640
Fund Balance, Beginning of Year	A	<u>14,920,374</u>	<u>4,098,734</u>
		19,040,342	17,395,374
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>4,250,000</u>	<u>2,475,000</u>
Fund Balance, End of Year	A	<u>\$ 14,790,342</u>	<u>\$ 14,920,374</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-2
Sheet # 1

	Ref.	Anticipated Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 4,250,000	\$	\$ 4,250,000	\$
Miscellaneous Revenues					
Licenses:					
Alcoholic Beverages	A-13	91,000		88,770	(2,230)
Other	A-13	125,000		127,237	2,237
Fees and Permits	A-13	550,000		586,461	36,461
Municipal Court - Fines and Costs	A-13	965,000		1,189,093	224,093
Interest and Costs on Taxes	A-13	135,518		128,667	(6,851)
Interest on Investments and Deposits	A-13	41,000		157,288	116,288
Annual Fee S.M.C.M.U.A.	A-15	30,000		30,000	-
Swimming Pool Fees	A-13	145,000		144,796	(205)
Cablevision Fees	A-13	267,700		279,797	12,097
Energy Receipts Tax	A-13	71,000		71,000	-
Consolidated Municipal Property Tax Relief Aid	A-13	2,797,599		2,797,599	-
Uniform Construction Code Fees	A-13	1,035,000		1,266,919	231,919
NJ Department of Environmental Protection	A-30		12,000	12,000	
Click -it or Ticket Grant	A-30		5,000	5,000	
Clean Communities	A-30		38,474	38,474	
NJDOT Recreation Trails Grant	A-30		120,000	120,000	
Body Armour 2016	A-30		4,911	4,911	
Alcohol Rehabilitation Grant	A-30		1,753	1,753	
Utility Operating Surplus - Airport Utility	A-13	215,000		215,000	
Rental of Property - Leases	A-13	240,000		288,694	48,694
Police Outside Duty - Administration Fees	A-13	90,000		90,000	
Contribution from Sewer Utility for Indirect Costs	A-13	131,000		131,000	
Hotel/Motel Tax	A-13	620,000		634,429	14,429
Uniform Fire Safety Act	A-13	45,000		49,068	4,068
Rent Leveling Registration	A-13	90,000		93,695	3,695
Fire Bureau EMS Revenue Recovery	A-13	25,000		57,983	32,983
PILOT - Housing Authority	A-13	90,000		82,428	(7,572)
PILOT - Urban Renewal - Mill Creek	A-13	495,000		530,612	35,612
Atlantic Health Settlement	A-13	550,000		550,000	-
Anticipated Sewer Utility Operating Surplus	A-13	3,225,000		3,225,000	-
Total Miscellaneous Revenues	A-1	\$12,069,817	\$182,138	\$12,997,672	\$745,717

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-2
Sheet # 2

	Ref.	Anticipated Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Receipts from Delinquent Taxes	A-1, A-8	\$ 475,000		\$ 610,350	\$ 135,350
		<u>16,794,817</u>	<u>182,138</u>	<u>17,858,022</u>	<u>881,067</u>
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>23,306,021</u>		<u>22,626,156</u>	<u>(679,865)</u>
Budget Revenues	A-3	<u>\$ 40,100,838</u>	<u>\$ 182,138</u>	40,484,178	<u>\$ 201,202</u>
Non-Budget Revenues	A-1			<u>3,267,516</u>	
				<u>\$ 43,751,695</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-2
Sheet # 3

	<u>Ref.</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collection		
Revenue from Collection	A-1, A-8	\$ 59,100,016
Allocated to Regional School and County Taxes	A-19, A-20	<u>37,315,144</u>
		21,784,872
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>841,284</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u><u>\$ 22,626,156</u></u>
 Miscellaneous Revenue Not Anticipated		
PhotoStats, Duplicate Bills etc.		\$ 185
Public Works - Recycling		30,388
Payment in Lieu of Taxes		57,308
Towing Administration Fees		8,425
Sale of Municipal Assets		3,164,458
Bail and Filing Fees		1,026
Lien Fees		6,519
State Administration Fee		770
Other		<u>7,256</u>
	A-4	\$ 3,276,335
Less: Other Miscellaneous Items - Net		<u>(8,819)</u>
	A-1	<u><u>\$ 3,267,516</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 1

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
GENERAL APPROPRIATIONS						
OPERATIONS WITHIN "CAPS"						
Department of Administration						
Town Clerk						
Salaries and Wages	\$ 291,525	\$ 291,525	\$ 291,431	\$	\$ 94	\$
Other Expenses	48,200	48,200	41,385	809	6,006	
Business Administrator						
Salaries and Wages	420,550	420,550	374,623		45,927	
Other Expenses	105,925	105,925	95,546	8,545	1,834	
Senior Citizens						
Salaries and Wages	25,655	25,655	24,047		1,609	
Other Expenses	7,360	7,360	6,601	733	27	
Vital Statistics						
Salaries and Wages	95,074	95,074	95,071		3	
Other Expenses	9,450	9,450	4,847		4,603	
Purchasing						
Other Expenses	376,450	376,450	242,270	16,794	117,386	
Department of Public Safety						
Police						
Salaries and Wages	5,909,505	6,019,505	6,019,505			
Other Expenses	201,900	201,900	95,615	32,130	74,154	
Fire						
Salaries and Wages	3,112,890	3,112,890	3,108,571		4,319	
Other Expenses	251,130	251,130	192,659	56,622	1,849	
Fire Truck Lease	58,000	58,000	57,627		373	
Emergency Management Services						
Salaries and Wages	8,000	8,000	3,000		5,000	
Other Expenses	7,000	7,000	5,552		1,448	
Treasurer						
Salaries and Wages	308,231	308,231	305,233		2,998	
Other Expenses	118,270	118,270	80,922	1,848	35,500	
Tax Collector						
Salaries and Wages	184,168	184,168	184,163		5	
Other Expenses	25,990	25,990	20,224	50	5,716	
Tax Assessor						
Salaries and Wages	106,960	106,960	106,952		8	
Other Expenses	256,064	256,064	223,065	13,188	19,811	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 2

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Code Enforcement						
Salaries and Wages	\$ 89,761	\$ 89,761	\$ 89,761	\$	\$	\$
Other Expenses	2,600	2,600	32		2,568	
Department of Public Health						
Salaries and Wages	158,192	158,192	139,931	550	17,711	
Other Expenses	16,600	16,600	11,783	2,225	2,592	
Rent Leveling						
Salaries and Wages	76,370	86,370	86,103		267	
Other Expenses	2,910	2,910			2,910	
Animal Control						
Salaries and Wages	61,997	61,997	58,386	261	3,350	
Other Expenses	16,600	16,600	7,028	538	9,035	
Property Maintenance						
Salaries and Wages	291,479	291,479	278,989		12,490	
Other Expenses	8,050	8,050	1,122		6,928	
Zoning						
Salaries and Wages	217,136	217,136	204,208		12,928	
Other Expenses	7,460	7,460	4,000		3,460	
Department of Public Works						
Public Works						
Salaries and Wages	2,320,380	2,320,380	2,268,534		51,846	
Other Expenses	1,619,218	1,616,218	1,037,781	257,197	321,240	
Recycling						
Salaries and Wages	74,570	74,570	70,797		3,773	
Other Expenses	1,417,308	1,417,308	1,151,399	181,887	84,022	
Bus Transportation						
Salaries and Wages	21,479	21,479	20,894		585	
Other Expenses	5,000	8,000	3,922	87	3,991	
Planning						
Salaries and Wages	21,000	21,000	15,033		5,967	
Other Expenses	565,000	565,000	245,398	21,281	298,322	
Engineering Services and Costs						
Salaries and Wages	218,790	188,790	147,751		41,039	
Other Expenses	12,510	42,510	5,024	32,121	5,365	
Recreation						
Salaries and Wages	148,400	130,400	128,757		1,643	
Other Expenses	51,390	51,390	23,245	305	27,840	
Burnham/Cauldwell Pools						
Salaries and Wages	116,700	140,500	140,447		53	
Other Expenses	76,864	57,964	56,626	1,336	2	
Non-Departmental Appropriations						
Legal						
Salaries and Wages	103,203	103,203	103,184		19	
Other Expenses	250,000	250,000	154,196	4,579	91,226	
Municipal Prosecutor						
Other Expenses	60,000	60,000	49,000	5,000	6,000	
Insurance						
Other Expenses	810,373	810,373	788,658		21,715	
Group Hospitalization						
Other Expenses	4,842,703	4,822,703	4,581,581		241,122	

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 3

Appropriation	Appropriations		Expended			Unexpended Balances Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Ambulance Squad						
Other Expenses	\$ 30,000	\$ 30,000	\$	\$	\$ 30,000	
Memorial and Veterans Day Association						
Other Expenses	1,900	1,900	1,900			
Project Community Pride						
Other Expenses	24,800	24,800	12,400	12,400		
Teen Center						
Other Expenses	33,700	33,700	16,850	16,850		
Municipal Alliance						
Other Expenses	11,500	11,500			11,500	
Morris County Tourist Bureau						
Other Expenses	22,000	22,000	21,800		200	
Alumni Assoc.of Morris County Drug Court						
Other Expenses	5,000	5,000			5,000	
Whippany River Coalition						
Other Expenses	6,200	6,200	6,200			
Morristown Partnership						
Other Expenses	10,000	10,000			10,000	
Maintenance of the Green						
Other Expenses	40,000	40,000	40,000			
Shade Tree Commission						
Other Expenses	4,000	4,000	661		3,339	
Annual Community Family Day Festival						
Other Expenses	8,000	8,000	8,000			
Environmental Commission						
Other Expenses	4,000	4,000	2,938	300	762	
Historic Preservation Commission						
Other Expenses	3,500	3,500			3,500	
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
Salaries and Wages	569,780	584,280	580,114		4,166	
Other Expenses	245,450	245,450	237,098	165	8,187	
Municipal Court						
Salaries and Wages	509,191	509,191	505,791		3,400	
Other Expenses	45,655	45,655	39,885	820	4,950	
Public Defender						
Other Expenses	30,000	30,000	775		29,225	
Unclassified						
Reserve for Retirement and Sick Pay	125,000	125,000	35,617		89,383	
Reserve for Salary Increase	300,000	198,600	170,636		27,964	
Total Operation Within "CAPS"	27,642,016	27,642,016	25,133,145	668,619	1,840,252	
Contingent	5,000	5,000	3,643		1,357	
Total Operation Including Contingent Within "CAPS"	27,647,016	27,647,016	25,136,787	668,619	1,841,610	
Detail:						
Salaries and Wages	15,460,986	15,571,286	15,351,276	811	219,199	
Other Expenses	12,186,030	12,075,730	9,785,511	667,808	1,622,411	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 4

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
GENERAL APPROPRIATIONS (Continued)						
DEFERRED CHARGES & STATUTORY EXPENDITURES						
Statutory Expenditures - Contributions to:						
Inglesino, Pearlman, Wyciskala & Taylor	\$ 518.00	\$ 518.00	518			\$
WB Mason	359	359	358		1	
Social Security System (O.A.S.I.)	660,861.00	660,861	586,268		74,593	
Public Employees Retirement System	772,667	772,667	772,667			
Police and Firemen's Retirement System of N.J.	2,370,137	2,370,137	2,370,098		39	
Consolidated Police and Firemen's Pension Fund	20,000	20,000	2,756		17,244	
DCRP	19,800	19,800	10,535		9,265	
Total Deferred Charges and Statutory Expenditures	3,844,342	3,844,342	3,743,200		101,142	
Total General Appropriations for Municipal Purposes Within "CAPS"	31,491,358	31,491,358	28,879,987	668,619	1,942,752	
OPERATIONS - EXCLUDED FROM "CAPS"						
Free Public Library						
Direct Aid						
Other Expenses	920,827	920,827	920,827			
Reserve for Tax Appeals	510,000	510,000	467,532	23,499	18,969	
Emergency Authorization Snow Storm		117,600	117,051		549	
Interlocal Municipal Services Agreement	134,288	134,288	108,198		26,090	
Morris County Radio Dispatch	372,622	372,622	372,622			
Insurance						
Other Expenses	76,682	76,682	76,682			
Public and Private Programs Offset by Revenues:						
Click it or Ticket- Chap-159	5,000	5,000	5,000			
NJ Department of environmental Protection-Chap159	12,000	12,000	12,000			
NJDOT Recreation Trail Programs	120,000	120,000	120,000			
Clean Communities -Chap-159	38,474	38,474	38,474			
Alcohol Rehabilitation - 159	1,753	1,753	1,753			
Body Armour 2016 - 159	4,911	4,911	4,911			
Grant Matching Funds	15,000	15,000			15,000	
Total Operations - Excluded from "CAPS"	2,211,557	2,329,157	2,245,049	23,499	60,608	
Detail:						
Salaries and Wages	15,460,986	15,571,286	15,351,276	811	219,199	
Other Expenses	14,397,587	14,404,887	12,030,560	667,808	1,683,019	

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 5

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$	\$	\$
Computer/Office Equipment	62,000	62,000	54,225	7,147	628	
Total Capital Improvements	1,212,000	1,212,000	1,204,225	7,147	628	
MUNICIPAL DEBT SERVICE						
Payment of Bond Principal	3,382,000	3,382,000	3,381,621			379
Payment on Bond Anticipation Notes and Capital Note	158,000	158,000	157,849			151
Interest on Bonds	631,000	631,000	615,478			15,522
Interest on Notes	137,000	137,000	136,240			760
Total Municipal Debt Service	4,308,000	4,308,000	4,291,188			16,812
TRANSFERRED TO BOARD OF EDUCATION FOR USE OF LOCAL SCHOOLS (N.J.S.A. 40:48-17.1 & 17.3)						
	218,777	218,777	218,777			
Total Appropriations Excluded from "CAPS"	7,950,334	8,067,934	7,959,239	30,646	61,236	16,812
Sub-Total General Appropriations	39,441,692	39,559,292	36,839,226	699,265	2,003,988	16,812
RESERVE FOR UNCOLLECTED TAXES						
	841,284	841,284	841,284			
Total General Appropriations	\$ 40,282,976	\$ 40,400,576	\$ 37,680,510	\$ 699,265	2,003,988	\$ 16,812

	Ref.	A-2	A	A
Budget	A-2	\$ 40,282,976		
Appropriation by 40A:4-87	A-28	117,600		
		<u>\$ 40,400,576</u>		
Cash Disbursed	A-4		\$ 36,438,311	
Reserve for Uncollected Taxes	A-2		841,284	
Transferred to Board of Education	A-20		218,777	
Due to Grant Fund	A-33		182,138	
			<u>\$ 37,680,510</u>	

TOWN OF MORRISTOWN
TRUST FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

B

ASSETS	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
ANIMAL CONTROL FUND			
Cash	B-1	\$ 38,470	\$ 35,225
OTHER TRUST FUND			
Cash	B-1	4,047,432	3,516,819
Due from Restitution Receivable	B-14	3,150	3,150
		<u>4,050,582</u>	<u>3,519,969</u>
EQUITABLE SHARING FUND			
Cash	B-1	9,356	17,118
SELF INSURANCE FUND			
Cash	B-1	699,113	655,729
		<u>\$ 4,797,521</u>	<u>\$ 4,228,042</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-2	\$ 13	\$ 31
Due to Current Fund	B-4		13
Reserve for Animal Control Expenditures	B-3	38,457	35,181
		<u>38,470</u>	<u>35,225</u>
OTHER TRUST FUND			
Reserve for Police Forfeiture	B-5	30,886	32,347
Reserve for Unemployment Compensation	B-6	160,024	108,074
Reserve for Affordable Housing	B-7	1,357,912	1,054,081
Escrow Deposits Payable	B-8	1,165,877	1,020,420
Reserve for Recreation Programs	B-11	63,745	59,379
Miscellaneous Reserves and Deposits	B-12	1,070,094	1,058,202
Payroll Deductions Payable	B-13	202,046	147,990
Due to Current Fund	B-9		27,439
Due to Grant Fund	B-15		12,037
		<u>4,050,582</u>	<u>3,519,969</u>
EQUITABLE SHARING FUND			
Reserve for Equitable Sharing	B-16	9,356	17,118
		<u>9,356</u>	<u>17,118</u>
SELF INSURANCE FUND			
Reserve for Self Insurance Expenditures	B-10	699,113	655,729
		<u>\$ 4,797,521</u>	<u>\$ 4,228,042</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

C

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash and Cash Equivalents	C-2	\$ 4,804,230	\$ 3,621,797
Grants Receivable	C-4	125,884	125,884
Deferred Charges to Future Taxation:			
Funded	C-5	18,741,300	11,198,920
Unfunded	C-6	<u>6,290,819</u>	<u>13,761,668</u>
 Total Assets		 <u>\$ 29,962,233</u>	 <u>\$ 28,708,269</u>
 LIABILITIES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 18,741,300	\$ 11,198,920
Bond Anticipation Notes	C-9	6,292,470	13,763,319
Capital Improvement Fund	C-14	203,358	97,358
Improvement Authorizations:			
Funded	C-7	420,866	436,337
Unfunded	C-7	2,089,512	2,166,331
Contracts Payable	C-8	1,383,726	563,145
Reserve for Refunding Bond Insurance Costs	C-11	9,680	9,680
Reserve for Pay Debt Service	C-12	506	506
Reserve for Future Improvements	C-13	77,595	77,595
Interfund - Current	C-15		1,426
 Fund Balance	 C-1	 <u>743,220</u>	 <u>393,652</u>
 Total Liabilities and Fund Balance		 <u>\$ 29,962,233</u>	 <u>\$ 28,708,269</u>
 Bonds and Notes Authorized But Not Issued	 C-16	 <u>\$</u>	 <u>\$</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

CHANGES IN FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

C-1

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 393,652
Increased by:		
Premium on Bond Anticipation Note Sales	C-2	<u>349,568</u>
Balance, December 31, 2016	C	<u>\$ 743,220</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

D
Sheet # 1

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 1,025,539	\$ 879,074
Due from Sewer Capital Fund	D-11	2,581	2,278
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	272,626	51,632
		<hr/>	<hr/>
Total Operating Fund		<u>1,300,746</u>	<u>932,984</u>
CAPITAL FUND			
Cash	D-5	2,287,260	755,524
Fixed Capital	D-7	68,786,889	68,586,889
Fixed Capital Authorized and Uncompleted	D-8	11,531,465	11,061,465
		<hr/>	<hr/>
Total Capital Fund		<u>82,605,614</u>	<u>80,403,878</u>
		<hr/> <u>\$ 83,906,360</u>	<hr/> <u>\$ 81,336,862</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

D
Sheet # 2

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-9	\$ 73,580	\$ 30,720
Encumbrances Payable	D-10	95,263	40,445
Prepaid Sewer Fees	D-15	70,624	65,630
Reserve for Salary Increases	unchanged	10,000	10,000
Overpayments	D-12	7,502	22,481
Accrued Interest on Bonds and Notes	D-13	153,751	148,554
		<u>410,721</u>	<u>317,831</u>
Reserve for Receivables	D	272,626	51,632
Fund Balance	D-1	617,400	563,520
		<u>1,300,746</u>	<u>932,984</u>
CAPITAL FUND			
Serial Bonds	D-17	5,882,695	7,086,074
Bond Anticipation Notes	D-18	4,005,000	4,968,261
Improvements Authorizations			
Funded	D-22	1,058,029	458,183
Unfunded	D-22	665,527	671,719
Contracts Payable	D-19	19,780	19,780
Reserve for Sewer Connection Fees	D-16	1,141,265	257,073
Reserve for Amortization	D-20	67,986,215	65,149,575
Deferred Reserve for Amortization	D-21	1,526,763	1,526,763
Capital Improvement Fund	D-14	152,000	152,000
Interfund Payable - Operating Fund	D-11	2,581	2,278
Fund Balance	D-2	165,759	112,172
		<u>82,605,614</u>	<u>80,403,878</u>
		<u>\$ 83,906,360</u>	<u>\$ 81,336,862</u>
Bonds and Notes Authorized But Not Issued	D-23	<u>\$ 917,681</u>	<u>\$ 1,410,697</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

D-1

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	\$ 425,000	\$ 125,000
Sewer Rents	D-3	8,267,021	8,170,072
Miscellaneous Revenue Anticipated	D-3	347,081	248,622
Miscellaneous Revenue Not Anticipated	D-3	745	175
Other Credits to Income:			
Miscellaneous		3	
Interfunds Returned			1,880
Unexpended Balance of Appropriation Reserves	D-9	14,601	4,054
 Total Income		 <u>9,054,451</u>	 <u>8,549,803</u>
EXPENDITURES			
Operating	D-4	2,010,439	1,991,655
Capital Improvements	D-4	670,000	670,000
Debt Service	D-4	2,535,232	2,182,284
Deferred Charges and Statutory Expenditures	D-4	134,900	131,726
Total Expenditures		<u>5,350,571</u>	<u>4,975,665</u>
 Excess Revenue		 3,703,880	 3,574,138
 Adjustments to Income Before Fund Balance			
Anticipated Surplus Appropriated to Current Fund Budget	D-4	<u>3,225,000</u>	<u>3,225,000</u>
 Statutory Excess to Fund Balance		 478,880	 349,138
 Fund Balance, Beginning of Year	D	 <u>563,520</u>	 <u>339,382</u>
		1,042,400	688,520
Decreased by:			
Utilization by Sewer Operating Budget		<u>425,000</u>	<u>125,000</u>
 Fund Balance, End of Year	D	 <u>\$ 617,400</u>	 <u>\$ 563,520</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CHANGES IN FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

D-2

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 112,172
Increased by:		
Premium on Sale of Bond Anticipation Note	D-5	<u>53,587</u>
Balance, December 31, 2016	D	<u>\$ 165,759</u>

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

D-3

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 425,000	\$ 425,000	\$
Sewer User Fees	D-1, D-6	7,912,191	8,267,021	354,830
Miscellaneous				
Sale of SREC's	D-1, D-5	68,100	176,782	108,682
Interest	D-1, D-5	5,000	12,481	7,481
Late Fees	D-1, D-5	35,000	25,967	(9,033)
Sewer Connection Fees	D-1, D-5	<u>131,851</u>	<u>131,851</u>	
	D-4	<u>\$ 8,577,142</u>	<u>\$ 9,039,102</u>	<u>\$ 461,960</u>
Cash Receipts	D-5		\$ 8,201,391	
Prepaid Revenue Realized	D-24		<u>65,630</u>	
	D-1		<u>\$ 8,267,021</u>	
Miscellaneous Revenue Not Anticipated	D-1, D-5		<u>\$ 745</u>	
Interest			\$ 8,770	
Capital Interest			<u>3,711</u>	
			<u>\$ 12,481</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

D-4

	Appropriated		Expended		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATING					
Salaries and Wage	\$ 822,772	\$ 822,772	\$ 760,710	\$ 62,062	\$
Other Expenses	635,898	635,898	634,380	1,518	
Other Sewer Expenses	551,769	551,769	541,769	10,000	
Total Operating	2,010,439	2,010,439	1,936,859	73,580	
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	670,000	670,000	670,000		
DEBT SERVICE					
Payment of Bond Principal	1,203,800	1,203,800	1,203,379		421
Payment of Note Principal	963,302	963,302	963,261		41
Interest on Bonds	320,000	320,000	319,355		645
Interest on Notes	49,700	49,700	49,237		463
Total Debt Service	2,536,802	2,536,802	2,535,232		1,570
DEFERRED CHARGES					
Coyne Chemical	3,175	3,175	3,174		1
STATUTORY EXPENDITURES					
Social Security System (O.A.S.I.)	131,726	131,726	131,726		
Surplus (General Budget)	3,225,000	3,225,000	3,225,000		
	\$ 8,577,142	\$ 8,577,142	\$ 8,501,991	\$ 73,580	\$ 1,571

<u>Ref.</u>	D-3	D	D-1
-------------	-----	---	-----

Cash Disbursements	D-5	\$ 8,032,939
Encumbrances Payable	D-10	95,263
Accrued Interest on Bonds and Notes	D-13	<u>373,789</u>
		<u><u>\$ 8,501,991</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

E

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
ASSETS			
OPERATING FUND			
Cash - Treasurer	E-5	\$ 22,768	\$ 27,694
Cash - Petty Cash Fund		50	50
Due from Airport Capital			42
Total Operating Fund		<u>22,818</u>	<u>27,786</u>
CAPITAL FUND			
Cash	E-5	117,615	40,342
Fixed Capital	E-7	62,626,686	62,626,686
Fixed Capital Authorized and Uncompleted	E-8	8,463,223	7,295,000
Due from FAA	E-9	2,646,718	4,769,796
Due from State of New Jersey	E-10	1,985,250	2,016,438
Due from Lessee	E-11	62,196	314,979
Total Capital Fund		<u>75,901,688</u>	<u>77,063,241</u>
Total Assets		<u>\$ 75,924,506</u>	<u>\$ 77,091,027</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-4, E-12	\$ 5,000	\$ 5,000
Fund Balance	E-1	17,818	22,786
Total Operating Fund		<u>22,818</u>	<u>27,786</u>
CAPITAL FUND			
Improvement Authorizations:			
Funded	E-13	2,248,107	2,157,976
Contracts Payable	E-16	2,396,586	4,816,451
Due to Operating	E-20		42
Due to Current	E-18	60,358	60,358
Due to Lessee			
Reserve for Future Improvements	E-17	106,517	106,517
Reserve for Amortization	E-14	62,626,686	62,626,686
Deferred Reserve for Amortization	E-15	8,463,223	7,295,000
Fund Balance	E-2	211	211
Total Capital Fund		<u>75,901,688</u>	<u>77,063,241</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 75,924,506</u>	<u>\$ 77,091,027</u>

There were no bonds and notes authorized but not issued on December 31, 2016 and 2015.

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE
OPERATING FUND
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

E-1

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized			
Fund Balance Utilized	E-3	\$ 20,000	\$ 20,000
Lease Rentals	E-3	210,002	210,002
Non-Budget Revenue	E-3	830	755
Other Credits to Income:			
Unexpended Balance of Appropriation	E-12	4,200	5,000
Interfund - Due from Airport Capital			20
		<hr/>	<hr/>
Total Revenues		235,032	235,777
		<hr/>	<hr/>
Expenditures			
Budget Appropriations			
Surplus Anticipated by Current Fund	E-4	215,000	215,000
Operating	E-4	5,000	5,000
		<hr/>	<hr/>
Total Expenditures		220,000	220,000
		<hr/>	<hr/>
Statutory Excess to Fund Balance		15,032	15,777
Fund Balance, Beginning of Year	E	22,786	27,009
		<hr/>	<hr/>
		37,818	42,786
Utilized as Anticipated Revenue	E-1, E-3	20,000	20,000
		<hr/>	<hr/>
Fund Balance, End of Year	E	\$ 17,818	\$ 22,786
		<hr/> <hr/>	<hr/> <hr/>

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
AIRPORT UTILITY CAPITAL FUND
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

E-2

	<u>Ref.</u>		
Balance, December 31, 2016 and 2015	E		<hr/> <hr/> \$ 211

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF REVENUES
OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

E-3

	<u>Ref.</u>	<u>Anticipated Budget Revenues</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	E-1	\$ 20,000	\$ 20,000	\$
Lease Rentals	E-1	200,000	210,002	10,002
	E-4	<u>\$ 220,000</u>	<u>\$ 230,002</u>	<u>\$ 10,002</u>
 Non-Budget Revenues:				
Interest Due from Capital (Net)	E-20		\$ 347	
Interest on Investments	E-5		483	
	E-1		<u>\$ 830</u>	

STATEMENT OF EXPENDITURES
AIRPORT UTILITY OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

E-4

	<u>Appropriation</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Changed</u>	<u>Reserved</u>	
Operating					
Other Expenses	\$ 5,000	\$ 5,000	\$	\$ 5,000	\$
Surplus Current Fund Budget	215,000	215,000	215,000		
	<u>\$ 220,000</u>	<u>\$ 220,000</u>	<u>\$ 215,000</u>	<u>\$ 5,000</u>	<u>\$</u>
<u>Ref.</u>	E-3		E-19	E	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN
GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

F

	<u>2016</u>	<u>2015</u>
Land and Land Improvements	\$ 89,365,044	\$ 88,927,410
Building and Building Improvements	18,550,096	18,262,062
Machinery and Equipment	<u>11,019,706</u>	<u>11,998,252</u>
	<u>\$ 118,934,846</u>	<u>\$ 119,187,724</u>
 Investment in Fixed Assets	 <u>\$ 118,934,846</u>	 <u>\$ 119,187,724</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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 statement No. 14 as amended by GASB Statement No. 61 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government. The municipalities in the State of New Jersey do not prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("US 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 US 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 US 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 (1 Miller Road, Morristown, NJ) or the Morristown Parking Authority (14 Maple Street, Morristown, NJ), which are considered component units under US 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, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, Equitable Sharing, 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 the regulatory 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 US GAAP applicable to local government units.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The more significant differences are as follows:

Property Tax Revenues – Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The School levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Town. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Town also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the 11th month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Town may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. US 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. US 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. US 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. US 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, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2016.

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. US 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 US 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 US 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. US GAAP does not permit the deferral of operating deficits at year end.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. US 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. US 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. US 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. US 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. US 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). US 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. US 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, 2016 AND 2015**

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

US 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, US GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Recent Pronouncements

The GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions in June 2015. This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. Management has not yet determined the impact of the Statement on the financial statements.

The GASB issued Statement 77, Tax Abatement Disclosures in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. The Town has implemented this standard in the current year. The detail is reflected in footnote 20.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 US 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 US GAAP.

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.

Custodial Credit Risk – the custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Although the Town does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in a public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015 the Town's bank balances were exposed to custodial credit risk.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

2. DEPOSITS AND INVESTMENTS (continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2016 and 2015. At December 31, 2016 and 2015, the book value of the Town's deposits were \$31,744,128 and \$28,128,529, respectively. The Town's deposits, which are displayed on the various fund Balance Sheet as "cash and cash equivalents", are categorized as:

<u>Depository Account</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Insured	\$ 500,000	\$ 500,000
Uninsured and Collateralized	32,897,504	28,831,673
	\$33,397,504	\$29,331,673

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, 2016 and 2015, 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.

3. 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.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. MUNICIPAL DEBT (continued)

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

	2016	2015
Issued		
General		
Bond and Notes	\$25,033,770	\$24,962,239
Sewer Utility		
Bonds, Notes and Loans	9,887,695	12,054,335
Net Debt Issued	34,921,465	37,016,574
Authorized But Not Issued		
Sewer Utility		
Bonds and Notes	917,681	1,410,697
Net Bonds and Notes Issued and Authorized Not Issued	\$35,839,146	\$38,427,271

The statement of debt condition that follows is extracted from the Town's Annual Debt Statement and indicates a statutory net debt of 0.982% at December 31, 2016.

	Gross Debt	Deductions	Net Debt
General Debt	\$ 25,033,770	\$	\$ 25,033,770
School Debt	705,735	705,735	
Utility Debt	10,805,376	8,922,933	1,882,443
Parking Authority Debt	32,750,000	32,750,000	
Total	\$ 69,294,881	\$ 42,378,668	\$ 26,916,213

The Town's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2016 as follows:

3-1/2% of Equalized Valuation Basis (Municipal)	\$ 95,969,933
Net Debt	26,916,213
Remaining Statutory Borrowing Power	\$ 69,053,720

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

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. MUNICIPAL DEBT (continued)

General Obligation Bonds

The Town levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2016 and 2015 are as follows:

	2016	2015
\$7,961,260, (\$18,450,000 combined issue), 2005 Refunding Bonds, due in annual installments of \$770,647 to \$874,447 through August 2019, interest at 6.50%%	\$2,447,196	\$3,186,388
\$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	1,150,000
\$1,500,630, 2011 Refunding Bonds, due in annual installments of \$239,260 to \$240,844 through March 2018, interest at 3.00% to 4.00%	480,104	722,532
\$4,845,000, 2012 Refunding Bonds, due in annual installments of \$1,165,000 through 2016, interest at 3.0%		1,165,000
\$10,924,000, 2016 General Improvement Bonds, due in annual installments of \$410,000 to \$819,000 through 2032, interest at 2.00% to 4.00%	10,924,000	
\$4,975,000, 2014 Refunding Bonds, due in annual Installments of \$1,225,000 to \$1,275,000 through September 2019, interest at 3.00% to 4.00%	3,740,000	4,975,000
	\$18,741,300	\$11,198,920

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. MUNICIPAL DEBT (continued)

Utility Bonds

The Town pledges revenue from operations to pay debt service on utility bonds issued. The utility bonds outstanding at December 31, 2016 and 2015 are as follows:

Sewer Utility

	2016	2015
\$6,843,105, (\$12,655,000 combined issue), 2005 Refunding Bonds, due in annual installments of \$454,352 to \$515,550 through August 2019, interest at 6.50%	\$ 1,442,799	\$ 1,878,606
\$2,475,000, 2009 Refunding Bonds, due in annual installments of \$490,000 to \$505,000 through March 2023, interest at 4.25% to 5.00%	2,475,000	2,475,000
\$3,234,370, 2011A Refunding Bonds, due in annual installments of \$515,740 to \$519,156 through March 2018, interest at 3.00% to 4.00%	1,034,896	1,557,468
\$820,000, 2011B Refunding Bonds, due in annual installments of \$65,000 to \$85,000 through March 2022, interest at 3.00% to 4.00%	465,000	550,000
\$625,000, 2014 Refunding Bonds, due in annual installments of \$155,000 through March 2019, interest at 3.00% to 4.00%	465,000	625,000
	\$ 5,882,695	\$ 7,086,074

The Town's principal and interest for long-term debt issued and outstanding as of December 31, 2016 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>	
2017	\$ 2,646,491	\$ 659,280	\$1,213,508	\$ 265,031	\$ 4,784,310
2018	2,796,362	554,782	1,223,637	209,830	4,784,611
2019	2,939,447	433,363	1,255,550	152,654	4,781,014
2020	850,000	302,717	575,000	89,925	1,817,642
2021	870,000	277,043	570,000	64,659	1,781,702
2022-2026	3,875,000	1,007,743	1,045,000	50,056	5,977,799
2027-2031	3,945,000	447,225			4,392,225
2032	819,000	13,309			832,309
	\$18,741,300	\$3,695,462	\$5,882,695	\$ 832,1551	\$29,151,612

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. MUNICIPAL DEBT (continued)

Changes in Long-Term Municipal Debt

The Town's long-term capital debt activity for 2016 and 2015 is as follows:

	Balance, December 31, <u>2015</u>	<u>Increases</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	<u>Due Within One Year</u>
General Capital Fund					
Bonds Payable	<u>\$ 11,198,920</u>	<u>\$10,924,000</u>	<u>\$3,381,620</u>	<u>\$ 18,741,300</u>	<u>\$3,896,491</u>
Sewer Utility Capital Fund					
Bond Payable	<u>\$ 7,086,074</u>	<u>\$</u>	<u>\$1,203,379</u>	<u>\$ 5,882,695</u>	<u>\$ 1,213,508</u>
	Balance, December 31, <u>2014</u>	<u>Increases</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	<u>Due Within One Year</u>
General Capital Fund					
Bonds Payable	<u>\$ 14,726,326</u>	<u>\$</u>	<u>\$ 3,527,406</u>	<u>\$ 11,198,920</u>	<u>\$ 3,381,620</u>
Sewer Utility Capital Fund					
Bond Payable	<u>\$ 8,328,670</u>	<u>\$</u>	<u>\$ 1,242,596</u>	<u>\$ 7,086,074</u>	<u>\$ 1,203,379</u>

Short-Term Debt

The Town's short-term capital debt activity for 2016 and 2015 is as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
Bond Anticipation Notes				
General Capital Fund	\$13,763,319	\$6,292,470	\$ 13,763,319	\$6,292,470
Sewer Utility Capital Fund	<u>4,968,261</u>	<u></u>	<u>963,261</u>	<u>4,005,000</u>
Total	<u>\$18,731,787</u>	<u>\$6,292,470</u>	<u>\$14,726,580</u>	<u>\$10,297,470</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>
Bond Anticipation Notes				
General Capital Fund	\$11,532,509	\$2,681,470	\$ 450,660	\$13,763,319
Sewer Utility Capital Fund	<u>5,495,018</u>	<u></u>	<u>526,757</u>	<u>4,968,261</u>
Total	<u>\$17,027,527</u>	<u>\$2,681,470</u>	<u>\$ 977,417</u>	<u>\$18,731,787</u>

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. MUNICIPAL DEBT (continued)

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 2016 and 2015 as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
Tax Anticipation Notes	\$ 1,000,000	\$	\$ 1,000,000	\$
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>
Tax Anticipation Notes	\$ 3,250,000	\$ 1,000,000	\$ 3,250,000	\$ 1,000,000

4. FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2016 and 2015:

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2016</u>
Land and Land Improvements	\$ 88,927,410	\$ 437,634	\$	\$ 89,365,044
Buildings and Building Improvements	18,262,062	288,034		18,550,096
Construction in Progress	11,998,252	834,988	1,813,534	11,019,706
Machinery and Equipment	<u>11,998,252</u>	<u>834,988</u>	<u>1,813,534</u>	<u>11,019,706</u>
	<u>\$119,187,724</u>	<u>\$1,560,656</u>	<u>\$1,813,534</u>	<u>\$118,934,846</u>
	Balance December 31, <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2015</u>
Land and Land Improvements	\$ 88,481,797	\$ 445,613	\$	\$ 88,927,410
Buildings and Building Improvements	18,029,913	232,149		18,262,062
Construction in Progress	3,816		3,816	11,998,252
Machinery and Equipment	<u>11,690,004</u>	<u>319,672</u>	<u>11,424</u>	<u>11,998,252</u>
	<u>\$118,205,530</u>	<u>\$ 997,434</u>	<u>\$15,240</u>	<u>\$119,187,724</u>

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

4. FIXED ASSETS (continued)

	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2015</u>
Airport Utility Fund				
Fixed Capital				
Airport Facilities and Improvements	\$ 61,598,972	\$	\$	\$ 61,598,972
Vehicle and Equipment	<u>1,027,714</u>	<u> </u>	<u> </u>	<u>1,027,714</u>
	<u>\$ 62,626,686</u>	<u>\$</u>	<u>\$</u>	<u>\$62,626,686</u>
 Fixed Capital Authorized and Uncompleted – Airport Facilities and Improvements	 <u>\$ 54,000</u>	 <u>\$7,241,000</u>	 <u>\$</u>	 <u>\$ 7,295,000</u>

5. DUE TO/FROM OTHER FUNDS

As of December 31, 2016 and 2015, interfund receivables and payables that resulted from various interfund transactions are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Current Fund:				
Regular	\$ 211,677	\$	\$ 61,829	\$ 1,233
Grant		151,319	12,037	33
Trust Fund:				
Animal Control Fund				13
Other Trust				10,804
General Capital Fund				1,425
Sewer Utility:				
Sewer Operating	2,581		2,278	
Sewer Capital		2,581		2,278
Airport Utility:				
Airport Operating			42	
Airport Capital		<u>60,358</u>		<u>60,400</u>
 Total	 <u>\$ 214,258</u>	 <u>\$214,258</u>	 <u>\$ 76,186</u>	 <u>\$ 76,186</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.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

6. 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:

	2016		2015	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	<u>\$14,790,342</u>	<u>\$3,475,000</u>	<u>\$14,920,374</u>	<u>\$4,250,000</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 617,400</u>	<u>\$ 280,000</u>	<u>\$ 563,520</u>	<u>\$425,000</u>
Airport Utility Operating Fund				
Cash Surplus	<u>\$ 17,818</u>	<u>\$ 15,000</u>	<u>\$ 22,786</u>	<u>\$ 20,000</u>

The above fund balance amounts utilized represents the surplus anticipated in the 2017, as introduced, and 2016 municipal budgets.

7. 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 \$3,513,644 and \$2,292,000 at December 31, 2016 and 2015 respectively. This estimate by management is unaudited.

As of December 31, 2016 and 2015, the Town has reserved \$3,706 and \$3,706, respectively to fund compensated absences in accordance with N.J.S.A. 40A:4-39.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS

Substantially, all Town employees participate in the Public Employees' Retirement System or the Police and Firemen's Retirement System. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Town if not available. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the PERS and PFRS bill the Town annually at an actuarially determined rate for its required contribution. The current rate is 7.20% and 10.00%, respectively, of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees of the respective plan. The Town's contributions to the PERS for the years ended December 31, 2016, 2015 and 2014 were \$737,999, \$675,248 and \$600,251, respectively, equal to the required contributions for the year. The Town's contributions to the PFRS for the years ended December 31, 2016, 2015 and 2014 were \$2,017,293, \$1,809,558 and \$1,640,194, respectively, equal to the required contributions for each year.

Public Employee Retirement System

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

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	2016	2015
Inactive plan members or beneficiaries currently receiving benefits	170,685	166,637
Inactive plan members entitled to but not yet receiving benefits	650	703
Active plan members	<u>254,685</u>	<u>259,161</u>
Total	<u>425,559</u>	<u>426,501</u>

Contributing Employers – 1,710

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

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

For the year ended December 31, 2016 and 2015 the Town's total payroll for all employees was \$15,298,297 and \$14,668,118. Total PERS covered payroll was \$5,863,626 and \$5,814,939. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Town to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.20 for State fiscal year 2016, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Town's cash basis contributions to the Plan for the years ended December 31, 2016 and 2015 were \$737,999 and \$675,248, respectively. Town contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

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

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

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

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The Town's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Town was \$25,351,859 or 0.0855986297%. The pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Town was \$19,269,496 or 0.0858406071%

At December 31, 2016 the Town deferred outflows of resources and deferred inflows of resources related to PERS from the following sources, if GASB #68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 471,468	\$
Changes in assumptions	5,251,551	
Net difference between projected and actual earnings on pension plan investments	966,689	
Changes in proportion and differences between Town contributions and proportionate share of contributions	721,398	39,434
Town contributions subsequent to the measurement date	760,446	

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

\$760,446 shown as deferred outflows of resources related to PERS resulting from Town contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS should have been recognized in pension expense as follows, if GASB #68 was recognized:

<u>Year ended December 31,</u>	<u>Amount</u>
2017	\$ 1,695,258
2018	1,695,258
2019	1,695,258
2020	1,606,704
2021	676,194
Total	<u>\$ 7,371,672</u>

Actuarial Assumptions- The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2016	June 30, 2015
Inflation	3.08%	3.04%
Salary Increases (2012-2026)	1.65-4.15% Based on age	2.15-4.40% Based on age
Thereafter	2.65-5.15% Based on age	3.15-5.40% Based on age
Investment rate of return	7.65%	7.90%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.64%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

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

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
PERS	\$31,065,744	\$25,351,859	\$20,634,551

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2016 and 2015 were \$26,762,070,610 and \$28,553,566,906, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2016 and 2015 was \$19,857,566,387 and \$20,661,583,919, respectively.

Additional information

Collective Local Group balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$	8,685,338,380
Collective deferred inflows of resources		870,133,595
Collective net pension liability		29,617,131,759
 Town's Proportion		 0.0855986297%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 \$2,830,763,540 and \$1,481,308,816, respectively.

The average of the expected remaining service lives of all plan members is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014, respectively.

Police and Firemen's Retirement System

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

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

	<u>2016</u>	<u>2015</u>
Inactive plan members or beneficiaries currently receiving benefits	40,789	44,252
Inactive plan members entitled to but not yet receiving benefits	47	51
Active plan members	<u>45,625</u>	<u>40,359</u>
 Total	 <u>86,461</u>	 <u>84,662</u>
 Contributing Employers – 585		

In addition to the State, who is the sole payer of regular employer contributions to the fund, PFRS's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay towards their incurred liability. The current number of ERIP Contributing Employers is 26.

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

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

For the years ended December 31, 2016 and 2015 the Town's total payroll for all employees were \$15,298,297 and \$18,423,629, respectively. Total PFRS covered payroll was \$9,428,314 and \$9,401,450. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Town to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Town's cash basis contributions to the Plan for the years ended December 31, 2016 and 2015 were \$2,370,137 and \$2,254,061, respectively. Town contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

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

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

The following represents the membership tiers for PFRS:

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

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

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

At June 30, 2016, the PFRS reported a net pension liability of \$20,706,699,056 for its Non-State, Non-Special Funding Situation Employer Member Group. The Town’s proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$44,464,080, or 0.2327650575%. The pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. At June 30, 2015, the PFRS reported a net pension liability of \$18,117,234,618 for its Non-State, Non-Special Funding Situation Employer Member Group. The Town’s proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$41,337,313, or 0.2481750514%.

At December 31, 2016 the Town would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources, if GASB #68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$	\$ 291,469
Changes in assumptions	6,158,640	
Net difference between projected and actual earnings on pension plan investments	3,115,509	
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,811,591	1,772,650
Town contributions subsequent to the measurement date	1,897,828	

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

\$1,897,828 shown as deferred outflows of resources related to PFRS resulting from Town contributions subsequent to the measurement date (December 31, 2016) should have been recognized as a reduction of net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS should have been recognized in pension expense as follows, if GASB #68 was recognized:

<u>Year ended December 31,</u>	<u>Amount</u>
2017	\$2,393,656
2018	2,393,656
2019	2,393,879
2020	1,576,540
2021	264,112
Total	<u>\$9,021,621</u>

Actuarial Assumptions- The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation	3.08%	3.04%
Salary Increases (2012-2026)	2.10-8.98% based on age	2.60-9.48% based on age
Thereafter	3.10-9.98% based on age	3.60-10.48% based on age
Investment rate of return	7.65%	7.90%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

<u>Asset Class</u>	<u>June 31, 2016</u>		<u>June 31, 2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
PFRS	\$57,333,171	\$44,464,080	\$33,970,111

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2016 and 2015 was \$23,984,726,664 and \$25,106,858,921, respectively.

Additional information

Collective Local Group balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$	4,547,316,543
Collective deferred inflows of resources		688,197,590
Collective net pension liability		20,706,699,056
 Town's Proportion		 0.2327650575%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 \$2,255,296,958 and \$1,645,612,699, respectively.

The average of the expected remaining service lives of all plan members is 5.58, 5.53 and 6.17 years for 2016, 2015 and 2014, respectively.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and the State is treated as a non-employer contributing entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Town as of June 30, 2016 and 2015 are 0.2327650575% and 0.2481750514% and the non-employer contributing entities' contribution for the year ended June 30, 2016 and 2015 was \$143,071 and \$188,707. The State's proportionate share of the net pension liability attributable to the Town for the years ended December 31, 2016 and 2015 was \$3,733,880 and \$3,625,144, respectively.

Defined Contribution Retirement Plan

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.

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

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016 and 2015, the membership in the DCRP, based on the information within the Division's database, was 36,808 and 28,270.

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

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

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 7.20% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

9. 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.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

9. HEALTH BENEFITS (continued)

The contribution is phased in at 25% per year:

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

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

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

10. POST-RETIREMENT HEALTH COVERAGE

Plan Description

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

Funding Policy

The Town funds its post-retirement health coverage on a pay-as-you-go basis. For the years 2016, 2015 and 2014, the Town paid \$2,426,485, \$2,452,450, and \$2,361,390, 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.

The following information is required to be updated every three years. The information stated below is for the 2016 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.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

11. POST-RETIREMENT HEALTH COVERAGE (continued)

The following table shows the components of the Town's annual OPEB cost for 2016, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation to the Plan:

Annual OPEB Cost (Expense)	4,565,000
Contributions Made	<u>2,426,485</u>
Increase in Net OPEB Obligation	2,229,515
Net OPEB Obligation – Beginning of Year	<u>18,689,600</u>
Net OPEB Obligation – End of Year	<u>\$20,919,115</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 2016, 2014, 2012 and 2010 were as follows:

<u>Year Ended December 31.</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2016	\$4,565,455	21.8%	\$20,919,115
2014	4,839,200	35.5%	18,689,600
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, 2016, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$52,772,866 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability ("UAAL") of \$52,772,866.

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.

In the December 31, 2016 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.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

11. POST-RETIREMENT HEALTH COVERAGE (continued)

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, 2016 was 17 years.

12. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 and 2015, The following deferred charge in the Current Fund existed:

	<u>2016</u>	<u>2015</u>
Emergency	\$117,600	\$ 0

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.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

14. RISK MANAGEMENT (continued)

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

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, 2016. 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, 2016, the Town has \$699,113 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>
2016	None	None	\$51,950	\$160,024
2015	None	None	2	108,074
2014	None	None	23,819	108,072

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

15. 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, 2016. 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.

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 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.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

15. CONTINGENT LIABILITIES (continued)

As of December 31, 2016, the outstanding debt covered by the Town Replenishment Agreement was \$32,750,000. As of March 31, 2017, 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.

16. 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, 2016, the Town had no estimated arbitrage earnings due to the IRS.

17. PRIOR-YEAR DEFEASANCE OF DEBT

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, 2016 and 2015, none of the loans outstanding are considered defeased.

During the 2016, the Town issued \$14,929,000 in serial bonds with interest rates ranging from 2.0% to 4.0%, depending on maturity. The proceeds were used to advance refund \$4,968,261 of outstanding Sewer Utility Bond Anticipation Note bearing interest rates of 1% and 10,924,000 of outstanding General Bond Anticipation Noted bearing interest rates of .38%. The net proceeds of \$14,929,000 (including \$579,809.20 of issuance premium and after \$176,654.30 in underwriting and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, a portion of the bonds anticipation notes are considered defeased and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the net carrying amount by of the old debt by \$963,261.

18. 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 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.

TOWN OF MORRISTOWN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

18. TRANSFER AGREEMENT (continued)

As of December 31, 2016, 61 years are remaining on the transfer agreement and the remaining amount due from the transfer agreement is \$1,830,000.

19. 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, 2016.

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	<u>\$28,813</u>
Total	28,813
Less: Amounts Representing Interest	<u>659</u>
Present value of Net Minimum Lease Payments	<u>\$28,154</u>

The Town's capital lease activity for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 86,440	\$ 144,067
Reductions	<u>57,627</u>	<u>57,627</u>
Balance, December 31	<u>\$ 28,813</u>	<u>\$ 86,440</u>
Due Within One Year	<u>\$ 28,813</u>	<u>\$ 57,627</u>

20. GASB 77 TAX ABATEMENTS

The Town has entered into several property tax abatement agreements in order to provide incentives to redevelop areas that are in need for improvement or to create economic growth. These agreements are authorized under various New Jersey state statutes. The following represent the Town's most significant tax abatement agreements:

<u>Entity Name</u>	<u>Commencement Date</u>	<u>Termination Date</u>	<u>Pilot Billing</u>	<u>Taxes If Billed In Full</u>	<u>Abated Taxes</u>
Payment in Lieu of Taxes - Mill Creek	March 15, 2011	March 14, 2039	<u>\$ 530,612</u>	<u>\$ 809,149</u>	<u>\$ 278,537</u>

Total

21. SUBSEQUENT EVENTS

The Town has evaluated subsequent events occurring after December 31, 2016 through May 1, 2017, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that no events require disclosure.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF CURRENT CASH AND INVESTMENTS - TREASURER
YEAR ENDED DECEMBER 31, 2016

A-4

	<u>Ref.</u>		<u>Current Fund</u>		<u>Grant Fund</u>
Balance, December 31, 2015			\$ 19,375,476		\$ 90,771
Increased by Receipts:					
Non-Budget Revenue	A-2	\$ 3,276,335			
Petty Cash Fund	A-6	900			
NJ Senior Citizens' and Veterans' Deductions	A-7	38,500			
Taxes Receivable	A-8	59,222,068			
Overpayments	A-23	965,977			
Revenue Accounts Receivable	A-13	12,770,462			
Special Improvement District Taxes Receivable	A-9	607,980			
Due from Southeast Morris MUA	A-15	30,000			
Prepaid Taxes	A-21	415,157			
SID Prepays	A-24	31,898			
Interfunds	A-17, A-22	838,065	\$ 12,037		
Due to State of NJ	A-29	72,363			
Due to Current Fund	A-31			972,381	
Unappropriated Grant	A-16			37,512	
Grant Receivables	A-30			412,365	
			78,269,705		1,434,295
			97,645,181		1,525,066
Decreased by Disbursements:					
2016 Budget Appropriations	A-3	36,438,311			
2015 Appropriations Reserves	A-14	1,102,507			
Petty Cash	A-6	900			
Regional School Taxes Payable	A-20	30,337,876			
County Tax Payable	A-19	7,190,820			
Tax Appeals and Overpayments	A-23	1,019,470			
Tax Anticipation Notes	A-26	1,000,000			
Due to State of NJ	A-29	80,340			
Special Improvement District Taxes Payable	A-25	600,640			
Account Payable	A-18	2,324			
Miscellaneous Reserves	A-27	285,000			
Interfunds	A-17	971,605			
Appropriated Reserves	A-33			623,863	
Interfund to Current	A-31			821,095	
			79,029,792		1,444,958
Balance, December 31, 2016	A		\$ 18,615,389		\$ 80,108

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF CHANGE FUNDS
YEAR ENDED DECEMBER 31, 2016

A-5

Balance,
December 31,
2016 and 2015

<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, 2016

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 TO STATE OF NEW JERSEY-SENIOR
CITIZENS AND VETERANS' DEDUCTIONS
YEAR ENDED DECEMBER 31, 2016

A-7

	<u>Ref</u>	
Balance, December 31, 2015	A	\$ (4,172)
Increased by:		
Senior Citizens' and Veterans' Deductions	A-8	<u>39,000</u>
		34,828
Decreased by:		
Senior Citizens' and Veterans' Deductions Disallowed	A-8	6,840
Cash Receipts	A-4	<u>38,500</u>
Balance, December 31, 2016	A	<u>\$ (10,512)</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
YEAR ENDED DECEMBER 31, 2016

A-8

Collections

Year	Balance December 31, 2015	Levy/Added Taxes	Senior Citizens' and Veterans' Deductions	2015	2016	Transferred To Tax Title Liens	Canceled	Balance December 31, 2016
2015	\$ 621,434	\$	\$	\$	\$ 610,350	\$	\$ 468	\$ 10,616
2016		60,719,526	32,160	456,138	58,611,718	3,967	76,410	1,539,133
	<u>\$ 621,434</u>	<u>\$ 60,719,526</u>	<u>\$ 32,160</u>	<u>\$ 456,138</u>	<u>\$ 59,222,068</u>	<u>\$ 3,967</u>	<u>\$ 76,878</u>	<u>\$ 1,549,749</u>
Ref.	A	Below	A-2, A-7	A-2, A-21	A-2, A-4	A-10		A

Analysis of 2016 Property Tax Levy

Tax Yield		
General Purpose Tax		\$ 60,631,782
Added Taxes (RS 54:4-36.1 et seq.)		87,744
		<u>\$ 60,719,526</u>
Tax Levy		
Regional School Tax		\$ 30,115,332
County Taxes		
County Tax - General	\$ 6,945,154	
Open Space Tax	245,327	
Due County for Added Tax	9,331	
		7,199,812
Local Tax for Municipal Purposes	23,306,021	
Add: Additional Tax Levied	98,361	
		<u>23,404,382</u>
		<u>\$ 60,719,526</u>

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAXES RECEIVABLE A-9
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>		
Balance, December 31, 2015	A		\$ 17,771
Increased by:			
2016 District Tax Levy	A-25		<u>630,000</u>
			647,771
Decreased by:			
Prepays Applied	A-24	\$ 10,334	
Cash Receipts	A-4	<u>607,980</u>	<u>618,314</u>
Balance, December 31, 2016	A		<u>\$ 29,457</u>

STATEMENT OF TAX TITLE LIENS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>		
Balance, December 31, 2015	A		\$ 101,767
Increased by:			
Transfers from Current Year Taxes Receivable	A-8		<u>3,967</u>
Balance, December 31, 2016	A		<u>\$ 105,734</u>

STATEMENT OF DEMOLITION LIENS
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>		
Balance, December 31, 2016 and 2015	A		<u>\$ 2,946</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES - AT ASSESSED VALUATIONS
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>		
Balance, December 31, 2016 and 2015	A		<u>\$ 2,193,200</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

A-13

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Accrued</u>	<u>Cash</u> <u>Receipts</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Licenses:				
Alcoholic Beverages	\$	\$ 88,770	\$ 88,770	\$
Others		127,237	127,237	
Fees and Permits		586,461	586,461	
Municipal Court - Fines and Costs	73,011	1,196,131	1,189,093	80,049
Interest on Costs on Taxes		128,667	128,667	
Interest on Investments and Deposits		157,288	157,288	
Swimming Pool Fees		144,796	144,796	
Cablevision Fees		279,797	279,797	
PILOT - Urban Renewal		82,428	82,428	
PILOT - Mill Creek		530,612	530,612	
Energy Receipts Tax		71,000	71,000	
Consolidated Municipal Property Tax Relief Aid		2,797,599	2,797,599	
Uniform Construction Code Fees		1,266,919	1,266,919	
Anticipated Airport Utility Operating Surplus		215,000	215,000	
Contribution from Sewer Utility for Indirect Costs		131,000	131,000	
Rental of Property - Leases		288,694	288,694	
Police Outside Duty - Administrative Fees		90,000	90,000	
Hotel/Motel Tax		634,429	634,429	
Uniform Fire Safety Act Fees		49,068	49,068	
Rent Leveling Registration		93,695	93,695	
Fire Bureau EMS Revenue Recovery		57,983	57,983	
Atlantic Health Settlement		550,000	550,000	
Anticipated Sewer Utility Operating Surplus		3,225,000	3,225,000	
	<u>\$ 73,011</u>	<u>\$ 12,792,574</u>	<u>\$ 12,785,536</u>	<u>\$ 80,049</u>
<u>Ref.</u>	A	Reserve		A
	<u>Ref.</u>			
Cash Receipts	A-4		\$ 12,770,462	
Interfunds	A-17		15,074	
			<u>\$ 12,785,536</u>	

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

A-14
Sheet # 1

<u>Appropriation</u>	<u>Committed</u>	<u>Uncommitted</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
SALARIES AND WAGES					
Town Clerk	\$	\$ 1,001	\$ 1,001	\$	\$ 1,001
Business Administrator		3,918	418		418
Senior Citizens		2,418	2,418		2,418
Fire		10,600	10,600		10,600
Emergency Management Services		7,939	7,939		7,939
Treasurer		402	402		402
Tax Assessor		63	63		63
Public Health		4,002	4,002		4,002
Property Maintenance		346	346		346
Zoning		2,855	2,855		2,855
Public Works		16,787	16,787		16,787
Recycling		4,042	4,042		4,042
Burham/Cauldwell Pool		1,040	1,040		1,040
Animal Control		2,901	2,901		2,901
Planning		2,981	2,981		2,981
Engineering Services and Costs		4,723	4,723	1,253	3,470
Municipal Court		16,544	16,544		16,544
Rent Leveling		487	487		487
Bus Transportation		595	595		595
Police	2,250	30,833	33,083	1,725	31,358
Tax Collector		3,289	3,289		3,289
Vital Statistics		26	26		26
Uniform Construction Code		42,538	42,538		42,538
Total Salaries	2,250	160,330	159,080	2,978	156,102
OTHER EXPENSES					
Town Clerk	10,691	3,564	14,255	10,838	3,417
Business Administrator	4,272	2,713	10,485	10,184	301
Senior Citizens	990	2,308	3,298	1,237	2,062
Vital Statistics	1,581	3,720	5,301	1,581	3,720
Purchasing	9,734	75,990	53,624	39,261	14,363
Police	10,873	17,775	28,648	1,444	27,204
Fire	10,057	1,285	11,342	9,928	1,414
Fire Truck Lease		373	373		373
Emergency Management Services	5,337	633	5,970	5,970	
Public Works	270,229	18,502	288,731	229,726	59,005
Engineering	371	5,518	5,889	2,553	3,336
Code Enforcement		328	328		328
Treasurer	2,262	9,502	11,764	10,917	847
Collector of Taxes	84	9,022	9,106	6,084	3,022
Assessment of Taxes	1,516	3,157	4,673	3,943	730
Legal	25,503	20,518	56,021	55,335	686
Municipal Prosecutor	3,500	10,250	13,750	3,500	10,250
Municipal Court	1,243	4,962	6,205	3,248	2,957
Ambulance Squad		30,000	30,000		30,000
Historical Commission		1,000	1,000		1,000
Insurance		39,909	39,909	223	39,687
Group Hospitalization		34,291	34,291		34,291
Uniform Construction Code	8,282	27,168	27,168	7,339	19,829
Public Defender		25,470	25,470	8,100	17,370
Public Health	3,887	3,894	7,781	3,887	3,894
Planning	46,155	10,968	79,223	71,917	7,306
Recreation	1,911	739	2,650	2,322	328

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

A-14
Sheet # 2

<u>Appropriation</u>	<u>Committed</u>	<u>Uncommitted</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Recreation Burnham Pool	\$ 3,166	\$ 803	\$ 3,969	\$	\$ 3,969
Rent Leveling	106	1,733	1,839	83	1,756
Shade Tree Commission		3,318	3,318		3,318
Animal Control	375	14,444	14,819	1,752	13,067
Recycling	153,706	27,367	189,355	153,566	35,789
Environmental Commission		3,590	3,590		3,590
Municipal Alliance		3,759	3,759		3,759
Morristown Partnership		10,000	10,000		10,000
Memorial & Veterans Day Association	1,400		1,400	1,400	
Project Community Pride	12,400		12,400	12,400	
Teen Center	16,850		16,850	16,850	
Zoning	362	2,548	2,910	362	2,548
Property Maintenance	39	775	814	57	757
Salary Increases		2,669	2,669		2,669
Bus Transportation	1	1,246	1,247		1,247
Contingent		410	410		410
Total O/E	<u>606,883</u>	<u>436,221</u>	<u>1,046,604</u>	<u>676,006</u>	<u>1,722,610</u>
Sub-Total	609,133	596,551	1,205,684	678,983	526,700
Statutory Expenditures					
Social Security System (O.A.S.I.)		19,306	19,306		19,306
Consolidated Police and Fireman's Pension Fund		19,818	19,818	10,508	9,310
DCRP		780	780		780
Morris County Radio Dispatch		369,337	369,337	369,337	
Interlocal Municipal Services Agreement		33,575	33,575	33,575	
Grant Matching Funds		20,000	20,000		20,000
Computer/Office Equipment	14,343	38,555	52,898	10,104	42,794
Total General Appropriations	<u>\$ 623,476</u>	<u>\$ 1,097,922</u>	<u>\$ 1,721,398</u>	<u>\$ 1,102,507</u>	<u>\$ 618,891</u>
Reference	A	A		A-4	A-1

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF DUE FROM SOUTHEAST MORRIS COUNTY MUA A-15
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 1,860,000
Decreased by:		
Cash Receipt - Anticipated Revenue	A-2,A-4	<u>30,000</u>
Balance, December 31, 2016	A	<u>\$ 1,830,000</u>

STATEMENT OF UNAPPROPRIATED GRANTS
YEAR ENDED DECEMBER 31, 2016

A-16

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 100
Increased by:		
Cash Receipts	A-4	<u>37,512</u>
Balance, December 31, 2016	A	<u>\$ 37,612</u>

Analysis of Balance

Recycling Tonnage Grant		\$ 37,512
Foote's Pond Walking Path		<u>100</u>
		<u>\$ 37,612</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF INTERFUNDS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

	Ref.	Total	Grant Fund	Animal Control	Trust Other	Airport Capital	General Capital
Balance December 31, 2015 (Due from)	A	\$ 61,830	\$ 33	\$ 13		\$ 60,358	\$ 1,426
(Due to)					(1,233)		
Increased by:							
Cash Advanced	A-4	971,605	971,605				
Interest	A-13	15,074	776	162			14,136
		<u>1,048,509</u>	<u>972,414</u>	<u>175</u>	<u>(1,233)</u>	<u>60,358</u>	<u>15,562</u>
Decreased by:							
Amount Paid to Current Fund	A-4	821,552	820,319		1,233		
Interest Paid to Current Fund	A-4	16,513	776	175			15,562
		<u>838,065</u>	<u>821,095</u>	<u>175</u>	<u>1,233</u>		<u>15,562</u>
Balance December 31, 2016							
From	A	<u>\$ 211,677</u>	<u>\$ 151,319</u>	<u>\$</u>	<u>\$</u>	<u>\$ 60,358</u>	<u>\$</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF ACCOUNTS PAYABLE
YEAR ENDED DECEMBER 31, 2016

A-18

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 17,033
Decreased by:		
Cash Disbursements	A-4	2,324
Balance, December 31, 2016	A	<u>\$ 14,709</u>

STATEMENT OF COUNTY TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2016

A-19

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 339
Increased by:		
Levy-Calendar Year 2016		\$ 6,945,154
2016 Open Space Tax Levy		245,327
Due County for Added Taxes		<u>9,331</u>
	A-1, A-2, A-8	<u>7,199,812</u>
		7,200,151
Decreased by:		
Cash Disbursements	A-4	<u>7,190,820</u>
Balance, December 31, 2016	A	<u>\$ 9,331</u>

STATEMENT OF REGIONAL SCHOOL TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2016

A-20

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 169,559
Increased by:		
Transferred from Appropriations	A-3	\$ 218,377
Levy - Calendar Year 2016	A-1, A-2, A-8	<u>30,115,332</u>
		<u>30,333,709</u>
		30,503,268
Decreased by:		
Cancelled	A-1	165,392
Cash Disbursements	A-4	<u>30,337,876</u>
Balance, December 31, 2016	A	<u>\$</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF PREPAID TAXES
YEAR ENDED DECEMBER 31, 2016

A-21

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 456,138
Increased by:		
Collection of 2017 Taxes	A-4	415,157
		<u>871,295</u>
Decreased by:		
Applied to 2016 Taxes	A-8	456,138
		<u>456,138</u>
Balance, December 31, 2016	A	<u>\$ 415,157</u>

GRANT FUND
STATEMENT OF DUE FROM OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

A-22

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 12,037
Decreased by:		
Cash Receipts	A-4	12,037
		<u>12,037</u>
Balance, December 31, 2016	A	<u>\$</u>

STATEMENT OF TAX OVERPAYMENTS
YEAR ENDED DECEMBER 31, 2016

A-23

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 562,991
Increased by:		
Cash Receipts	A-4	965,977
		<u>1,528,968</u>
Decreased by:		
Refunds	A-4	1,019,470
		<u>1,019,470</u>
Balance, December 31, 2016	A	<u>\$ 509,499</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAX
OVERPAYMENTS AND PREPAID
YEAR ENDED DECEMBER 31, 2016

A-24

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 10,334
Increased by:		
Cash Receipts	A-4	<u>31,898</u>
Decreased by:		
Prepays Applied	A-9	<u>10,334</u>
Balance, December 31, 2016	A	<u>\$ 31,898</u>
Analysis of Balance:		
Prepays		<u>\$ 31,898</u>

STATEMENT OF SPECIAL IMPROVEMENTS DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2016

A-25

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 208,193
Increased by:		
SID Taxes Receivable	A-9	<u>630,000</u> 838,193
Decreased by:		
Cash Disbursements	A-4	<u>600,640</u>
Balance, December 31, 2016	A	<u>\$ 237,553</u>

STATEMENT OF TAX ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2016

A-26

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 1,000,000
Decreased by:		
Cash Disbursements	A-4	<u>1,000,000</u>
Balance, December 31, 2016	A	<u>\$</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF MISCELLANEOUS RESERVES
YEAR ENDED DECEMBER 31, 2016

A-27

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 285,000
Decreased by:		
Cash Disbursed	A-4	<u>285,000</u>
Balance, December 31, 2016	A	<u><u>\$</u></u>

STATEMENT OF DEFERRED CHARGES
YEAR ENDED DECEMBER 31, 2016

A-28

	<u>Ref.</u>	
Increased by:		
Special One Year Emergency - Storm Damage	A-3	<u>\$ 117,600</u>
Balance, December 31, 2016	A	<u><u>\$ 117,600</u></u>

STATEMENT OF DUE TO STATE OF NEW JERSEY
YEAR ENDED DECEMBER 31, 2016

A-29

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 18,962
Increased by:		
Adjustment		
Cash Receipts	A-4	<u>\$ 72,363</u>
		91,325
Decreased by:		
Cash Disbursements - Construction	A-4	<u>80,340</u>
Balance, December 31, 2016	A	<u><u>\$ 10,985</u></u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF GRANTS RECEIVABLE - GRANT FUND
YEAR ENDED DECEMBER 31, 2016

A-30

	Balance, December 31, 2015	2016 Anticipated Revenue	Received	Canceled	Balance, December 31, 2016
Community Development Block Grants					
Redevel. Plan - Center and Coal Streets	\$ 5,193	\$	\$	\$	\$ 5,193
Pocahontas/Caldwell Parks	81,427				81,427
Senior Center Improvements	1,273				1,273
HUD Gramby Park	17,470		17,470		
Planning Assistance Grant	18,500				18,500
T-Growth Planning Grant	4,250				4,250
Open Space & Farmland Preservation	162,748				162,748
Open Space Grant Edgewood Project	75,000				75,000
Clean Communities	478				478
2016 Clean Communities		38,474	38,474		
State Affordable Housing Grant	463				463
Smart Growth Planning Grant	53,970				53,970
NJ DOT- South Street Phase II	10,401				10,401
NJ DOT- Washington Street Phase II	250,000		99,045		150,955
NJ DOT Safe Street to Transit	28,418				28,418
NJ DOT Streetscape Phase IV	250,000		220,000		30,000
NJ DOT Streetscape	32,500				32,500
NJ DOT Recreation Trails Program		120,000			120,000
NJ DEP		12,000			12,000
FEMA Homeland Security - Turnout Gear	4,257				4,257
Safe Routes to School Program	120,000				120,000
Green Acres Program - Hillcrest Park	5,871				5,871
Local Aid - Corey Road	75,918				75,918
Alcohol Rehabilitation		1,753	1,753		
Pedestrian Safety, Education & Enforcement Grant	14,986		10,813		4,173
2016 Body Armour		4,911	4,911		
Sustainable New Jersey	17,500		17,500		
Click It or Ticket Grant		5,000	2,400		2,600
	<u>\$ 1,230,623</u>	<u>\$ 182,138</u>	<u>\$ 412,365</u>	<u>\$</u>	<u>\$ 1,000,396</u>
Ref.	A	A-2	A-4		A

See Independent Auditors' Report.

TOWN OF MORRISTOWN

STATEMENT OF DUE TO CURRENT FUND
GRANT FUND
YEAR ENDED DECEMBER 31, 2016

A-31

	<u>Ref.</u>		
Balance, December 31, 2015	A		\$ 33
Increased by:			
Interest Income	A-4	\$ 776	
Cash Advanced	A-4	<u>971,605</u>	<u>972,381</u>
			972,414
Decreased by:			
Cash Returned	A-4	820,319	
Interest Disbursed to Current Fund	A-4	<u>776</u>	<u>821,095</u>
Balance, December 31, 2016	A		<u>\$ 151,319</u>

STATEMENT OF ENCUMBRANCES PAYABLE
GRANT FUND
YEAR ENDED DECEMBER 31, 2016

A-32

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	A	<u>\$ 5,150</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN
CURRENT FUND

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS
GRANT FUND
YEAR ENDED DECEMBER 31, 2016

A-33

	Balance, December 31 2015	Transferred from Budget Appropriations	Canceled	Paid or Charged	Canceled Encumbrances	Balance, December 31, 2016
Community Development Block Grants						
Redev. Plan - Center and Coal Streets	\$ 3,287	\$	\$	\$	\$	\$ 3,287
Pocahontas/Caldwell Parks	49,027					49,027
Senior Center Improvements	846					846
HUD Gramby Park	17,470					17,470
Drunk Driving Enforcement Fund	3,660					3,660
NJ DEP - Recycling Tonnage Grant	39,678			7,830		31,848
NJ DEP - Recreational Trails Grant		12,000				12,000
Clean Communities Program	21,723			21,723		
Clean Communities Program - 2015	14,308			5,695		8,613
Clean Communities Program - 2016		38,474		2,112		36,362
Various Contributors to Clean Communities	1,400					1,400
Open Space and Farm Pres. - Cory Road	46,631					46,631
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	24,957					24,957
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 Foundation - Footes Pond Donations	8,205			3,490		4,715
Dodge Grant Office of Sustainability	15,611					15,611
County of Morris - Caldwell Playground	32,400					32,400
FEMA Homeland Security - Turnout Gear	1,839					1,839
FEMA Homeland Security - EMW	23,244			262		22,982
Morristown Rotary	6,305					6,305
NJ DOT - South Street Phase II	62					62
NJ DOT Municipal Aid Program- Abbott Ave (II)	2,506					2,506
NJ DOT Safe Streets to Transit	28,418					28,418
NJ DOT Streetscape	220,000			220,000		
NJ DOT Washington Street Phase II	250,000			217,122		32,878
NJ DOT Sussex Avenue Walking Projects		120,000				120,000
Safe Routes to School Program	120,000			88,587		31,413
Rutgers Mini Grant - Health	28					28
Acquisition & Preservation - 20 Hillcrest Ave.	2,267					2,267
Drunk Driving	48,915			500		48,415
Local Aid - Corey Road	20,739			7,687		13,051
Pocahontas Dam Seepage Control	80,000					80,000
Alcohol Education Program	6,867					6,867
Alcohol Rehabilitation - 2013	1,300			149		1,151
Alcohol Rehabilitation - 2014	1,017					1,017
Alcohol Rehabilitation - 2015	2,475			2,475		
Alcohol Rehabilitation - 2016		1,753				1,753
2014 and Prior Body Armour	20,081			6,948		13,133
2015 Body Armour	5,131					5,131
2016 Body Armour		4,911				4,911
Sustainable New Jersey	17,500			17,500		
Recycling Tonnage 2014	41,428			7,945		33,483
Pedestrian Safety, Education & Enforcement	14,986			10,838		4,148
Coventis	5,000					5,000
Click It or Ticket		5,000		3,001		1,999
	<u>\$ 1,328,149</u>	<u>\$ 182,138</u>	<u>\$</u>	<u>\$ 623,863</u>	<u>\$</u>	<u>\$ 886,423</u>

Ref.

A

A-3

A-4

A

See Independent Auditors' Report.

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF CASH - TREASURER
YEAR ENDED DECEMBER 31, 2016

B-1

	Ref.	Animal Control	Other	Self Insurance	Equitable Sharing
Balance, December 31, 2015	B	\$ 35,225	\$ 3,516,820	\$ 655,729	\$ 17,118
Increased by:					
Dog Licenses - State Fees	B-2	\$ 914	\$	\$	\$
Reserve for Animal Control	B-3	10,492			
Interest Earned	B-6		794		
Reserve for Recreation	B-11		117,244		
Miscellaneous Reserves	B-12		2,262,397		
Affordable Housing	B-7		303,831		
Payroll Deduction Payable	B-13		7,756,873		
Escrow Deposits	B-8		704,006		
Equitable Sharing	B-16				112,294
Claims/ Other Reimbursements	B-6, B-10		51,950	52,438	
Interest Earned on Investments	B-4, B-16	162			250
		<u>11,568</u>	<u>11,197,095</u>	<u>52,438</u>	<u>112,544</u>
		46,793	14,713,915	708,167	129,663
Decreased by:					
Payments to Current Fund	B-4, B-6, B-9	175	28,233		
Recreation	B-11		112,879		
Other Disbursements	B-5, B-10		1,461	9,055	
Reserve for Animal Control	B-3	7,216			
Reserve for Unemployment Compensation	B-6				
Due to State of New Jersey	B-2	932			
Miscellaneous Reserves	B-12		2,250,508		
Payroll Deductions Payable	B-13		7,702,816		
Affordable Housing	B-15		12,037		
Equitable Sharing	B-16				120,306
Escrow Deposits Returned	B-8		558,549		
		<u>8,323</u>	<u>10,666,483</u>	<u>9,055</u>	<u>120,306</u>
Balance, December 31, 2016	B	<u>\$ 38,470</u>	<u>\$ 4,047,432</u>	<u>\$ 699,113</u>	<u>\$ 9,356</u>

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TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND
YEAR ENDED DECEMBER 31, 2016

B-2

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 31
Increased by:		
Cash Receipts	B-1	914
		945
Decreased by:		
Cash Disbursements	B-1	932
		932
Balance, December 31, 2016	B	\$ 13

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL FUND
YEAR ENDED DECEMBER 31, 2016

B-3

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 35,181
Increased by:		
Dog Licenses Fees Collected	B-1	10,492
		45,673
Decreased by:		
Cash Disbursements	B-1	7,216
		7,216
Balance, December 31, 2016	B	\$ 38,457

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF DUE TO/FROM CURRENT FUND
ANIMAL CONTROL FUND
YEAR ENDED DECEMBER 31, 2016

B-4

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 13
Increased by:		
Interest Earned on Investments	B-1	162
		175
Decreased by:		
Cash Disbursements	B-1	175
		175
Balance, December 31, 2016	B	\$

STATEMENT OF RESERVE FOR POLICE FORFEITURE
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-5

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 32,347
Decreased by:		
Cash Disbursements	B-1	1,461
		1,461
Balance, December 31, 2016	B	\$ 30,886

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TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-6

	<u>Ref.</u>		
Balance, December 31, 2015	B		\$ 108,074
Increased by:			
Cash Receipts	B-1	\$ 51,950	
Interest Earned on Investments	B-1	<u>794</u>	<u>52,744</u>
			160,818
Decreased by:			
Current Fund	B-1		<u>794</u>
Balance, December 31, 2016	B		<u><u>\$ 160,024</u></u>

STATEMENT OF RESERVE FOR AFFORDABLE HOUSING
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-7

	<u>Ref.</u>		
Balance, December 31, 2015	B		\$ 1,054,081
Increased by:			
Cash Receipts	B-1		<u>303,831</u>
Balance, December 31, 2016	B		<u><u>\$ 1,357,912</u></u>

STATEMENT OF ESCROW DEPOSITS PAYABLE
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-8

	<u>Ref.</u>		
Balance, December 31, 2015	B		\$ 1,020,420
Increased by:			
Escrow Deposits Received	B-1		<u>704,006</u>
			1,724,426
Decreased by:			
Escrow Deposits Returned	B-1		<u>558,549</u>
Balance, December 31, 2016	B		<u><u>\$ 1,165,877</u></u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-9

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 27,439
Decreased by:		
Cash Disbursed	B-1	<u>27,439</u>
Balance, December 31, 2016	B	<u>\$</u>

STATEMENT OF RESERVE FOR SELF-INSURANCE EXPENDITURES
SELF INSURANCE FUND
YEAR ENDED DECEMBER 31, 2016

B-10

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 655,729
Increased by:		
Claim Reimbursements	B-1	<u>52,438</u>
		708,167
Decreased by:		
Cash Disbursements	B-1	<u>9,055</u>
Balance, December 31, 2016	B	<u>\$ 699,113</u>

Analysis of Balance

Reserve for Workers Compensation Claims	\$	600,793
Reserve for Liability Claims		<u>98,320</u>
	\$	<u>699,113</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF RESERVE FOR RECREATION PROGRAMS
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-11

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 59,379
Increased by:		
Cash Receipts	B-1	117,244
		<u>176,623</u>
Decreased by:		
Cash Disbursed	B-1	112,879
Balance, December 31, 2016	B	<u>\$ 63,745</u>

STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-12

	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
Municipal Court POAA Fees	\$ 34,886	\$ 11,962	\$ 13,914	\$ 32,934
Fire Prevention Donations	5,014			5,014
Fire Prevention Penalties	265	6,014	2,350	3,929
Fire Victims Relief	40,182	7,340	43,811	3,711
Fire Donations	1,434	100	1,111	423
Epstein's Project Deposits	16,400	2,635		19,035
Lease Security Deposits	28,830			28,830
Police Donations	15,544	2,650		18,194
Purchase of Police Vehicles	25,159	24,075	43,634	5,600
Outside Police Duty Fees	69,430	1,160,784	1,227,897	2,317
Public Works Deposits	95,784	6,816	3,274	99,326
Senior Weekend Meals Donations	623			623
Senior Center Donations		1,221		1,221
Jail and Cablevision Legal Reserve	1,761			1,761
Cable Purchase	1			1
Public Defender Fees	12,527		2,555	9,972
Outside Lien Redemptions	11,432	585,617	536,665	60,384
Flexible Spending	5,324	56,004	60,187	1,141
Bob Tracey Park Contributions	8,291	2,976	3,500	7,766
Reserve for Restitution		3,150		3,150
Accumulated Sick and Vacation Time	3,706			3,706
Other Reserves		49,556		49,556
Relocation Assistance Trust	2,300	1,400	700	3,000
Storm Recovery reserve	19,000			19,000
Premium on Tax Sale Deposits	660,310	340,100	310,910	689,500
	<u>\$ 1,058,202</u>	<u>\$ 2,262,400</u>	<u>\$ 2,250,509</u>	<u>\$ 1,070,094</u>
	B	B-1	B-1	B

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND
YEAR ENDED DECEMBER 31, 2016

B-13

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 147,990
Increased by:		
Receipts	B-1	<u>7,756,873</u>
		7,904,863
Decreased by:		
Disbursements	B-1	<u>7,702,817</u>
Balance, December 31, 2016	B	<u>\$ 202,046</u>

STATEMENT OF DUE FROM RESTITUTION RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

B-14

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	B	<u>\$ 3,150</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
TRUST FUND

STATEMENT OF DUE TO GRANT FUND
OTHER TRUST FUND - AFFORDABLE HOUSING
YEAR ENDED DECEMBER 31, 2016

B-15

	<u>Ref.</u>		
Balance, December 31, 2015	B		\$ 12,037
Decreased by:			
Cash Disbursed	B-1		<u>12,037</u>
Balance, December 31, 2016	B		<u><u>\$</u></u>

RESERVE FOR EQUITABLE SHARING FUND
YEAR ENDED DECEMBER 31, 2016

B-16

	<u>Ref.</u>		
Balance, December 31, 2015	B		\$ 17,118
Increased by:			
Interest	B-1	\$ 250	
Revenue Received	B-1	<u>112,294</u>	112,544
			129,662
Decreased by:			
Cash Disbursed	B-1		<u>120,306</u>
Balance, December 31, 2016	B		<u><u>\$ 9,356</u></u>

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TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF CASH - TREASURER
YEAR ENDED DECEMBER 31, 2016

C-2

	<u>Ref.</u>		
Balance, December 31, 2015	C		\$ 3,621,797
Increased by:			
Premium on Bond Anticipation Note Sales	C-1	\$ 349,568	
Capital Improvement Fund	C-14	1,150,000	
Interfund Current - Interest Income	C-15	14,136	
Bonds Issued	C-10	10,924,000	
Bond Anticipation Notes Issued	C-9	<u>6,292,470</u>	
			<u>18,730,174</u>
			22,351,971
Decreased by:			
Improvement Authorizations	C-7	3,926,709	
Bond Anticipation Notes Retired	C-9	13,605,470	
Paid to Current Fund	C-15	<u>15,562</u>	
			<u>17,547,741</u>
Balance, December 31, 2016	C		<u>\$ 4,804,230</u>

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TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH
DECEMBER 31, 2016 AND 2015

C-3

	Balance December 31, 2016	Balance December 31, 2015
Fund Balance	\$ 743,220	\$ 393,652
Grants Receivable	(125,884)	(125,884)
Capital Improvement Fund	203,358	97,358
Reserve for Future Improvements	77,595	77,595
Reserve to Pay Debt Service	506	506
Reserve for Bond Costs	9,680	9,680
Contracts Payable	1,353,357	563,146
Current Interfund		1,426
Excess Funding Ordinance 07-18/09-26	1,651	1,651
Improvement Authorizations:		
Ordinance		
<u>Number</u>	<u>General Improvements</u>	
05-29	Various Capital Improvements	276,948
06-14	Various Capital Improvements	46,162
06-15	Various Capital Improvements	4,936
07-17	Acq. Of Vehicles and Equipment	966
09-25	Various Public Improvements and Acquisitions	41,524
11-09	Various Capital Improvements	162
12-17	Various Capital Improvements	460
12-33	Speedwell Development	1,298
12-35	Park Improvements Pool	5,513
23-14	Various Capital Improvements	51,927
9-15	Various Capital Improvements	231,750
05-16	Acquisition of Property	353,266
19-16	Various Capital Improvements	1,510,835
27-16	Acquisition of Property	15,000
		\$ 4,804,230
		\$ 3,621,797

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

C-4

<u>Ord. No</u>	<u>Agency</u>	<u>Balance December 31, 2015 and 2016</u>
96-12	Reconstruction of Abbett Ave.	\$ 38,890
97-31	Improvements. To Atno Ave. and Clinton Pl.	56,250
97-14	Expansion of 1st Ward Hose Co.	30,744
		\$ 125,884
Reference		C

C-5

STATEMENT OF DEFERRED CHARGES - FUNDED
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 11,198,920
Increased by:		
Bonds Sold	C-10	\$ 10,924,000
		22,122,920
Decreased by:		
2016 Budget Appropriation to Pay Serial Bonds	C-10	3,381,620
Balance, December 31, 2016	C	\$ 18,741,300

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2016

C-6

		<u>2016</u>						
<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2015</u>	<u>2016 Authorizations</u>	<u>Budget Appropriation</u>	<u>Bonds Sold</u>	<u>Balance December 31, 2016</u>	<u>Bond Anticipation Notes</u>	<u>Excess Funding</u>
08-20	Various Public Improvements	\$ 1,114,682	\$	\$ 884	\$ 1,113,798	\$		\$
09-25	Various Public Improvements	156,965		156,965				
07-18/09-26	Various Public Improvements	391,299			391,299			
09-34	Refunding Tax Appeals	106,262			107,913	(1,651)		(1,651)
10-21	Various Capital Improvements	729,294			729,294			
10-38	Communications Equipment	331,946			331,946			
11-09	Various Capital Improvements	1,087,043			1,087,043			
12-17	Various Capital Improvements	1,584,792			1,584,792			
12-33	Speedwell Development	1,777,215			1,777,215			
12-35	Park Improvements Pool	192,620			192,620			
16-13	Various Capital Improvements	1,138,080			1,138,080			
23-14	Various Capital Improvements	2,470,000			2,470,000			
09-15	Various Capital Improvements	2,681,470				2,681,470	2,681,470	
05-16	Acquisition of Property		337,000			337,000	337,000	
19-16	Various Capital Improvements		2,795,000			2,795,000	2,795,000	
27-16	Acquisition of Property		479,000			479,000	479,000	
		<u>\$ 13,761,668</u>	<u>\$ 3,611,000</u>	<u>\$ 157,849</u>	<u>\$ 10,924,000</u>	<u>\$ 6,290,819</u>	<u>\$ 6,292,470</u>	<u>\$ (1,651)</u>
<u>Ref.</u>		C	C-7	C-9	C-10	C	C-9	C-3

TOWN OR MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2016

C-7

Ord No.	Improvement Description	Ordinance Amount	Balance, December 31, 2015		2016 Authorizations				Balance, December 31, 2016		
			Funded	Unfunded	Deferred Charges to Future Taxation Unfunded	Capital Improvement Fund	Encumbrances Payable/ (Canceled)	Paid	Cancelled	Funded	Unfunded
05-29	Various Capital Improvements	2,610,000	\$ 321,106	\$	\$	\$	\$	\$ 44,158	\$	\$ 276,948	\$
06-14	Various Capital Improvements	451,100	100,843				(13,690)	68,371		46,162	
06-15	Various Capital Improvements	1,895,000	13,422					8,486		4,936	
07-17	Acquisition of Various Vehicles and Equipment	150,000	966							966	
08-20	Street Improvements	1,562,000									
09-25	Various Public Improvements & Acquisitions	485,000		41,524						41,524	
11-09	Various Capital Improvements	1,220,000		162						162	
12-17	Various Capital Improvements	1,757,000		113			(3,151)	2,804		460	
12-33	Speedwell Development	1,800,000		1,298						1,298	
12-35	Park Improvements Pool	210,000		5,513						5,513	
23-14	Various Capital Improvements	2,600,000		416,780			161,958	228,191		26,631	
09-15	Various Capital Improvements	2,822,600		1,700,941			(459,030)	1,933,294			226,677
05-16	Acquisition of Property	355,000			337,000	18,000		1,734		16,266	337,000
19-16	Various Capital Improvements	3,795,000			2,795,000	1,000,000	1,134,494	1,149,671			1,510,835
27-16	Acquisition of Property	505,000			479,000	26,000		490,000			15,000
			<u>\$ 436,337</u>	<u>\$ 2,166,331</u>	<u>\$ 3,611,000</u>	<u>\$ 1,044,000</u>	<u>\$ 820,581</u>	<u>\$ 3,926,709</u>	<u>\$</u>	<u>\$ 420,866</u>	<u>\$ 2,089,512</u>
Ref.			C	C	C-6	C-14	C-8	C-2		C	C

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF CONTRACTS PAYABLE
YEAR ENDED DECEMBER 31, 2016

C-8

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 563,145
Increased by:		
Contracts in 2016	C-7	<u>820,581</u>
Balance, December 31, 2016	C	<u>\$ 1,383,726</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2016

C-9

<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, 2015	Increase	Decrease	Balance, December 31, 2016
08-20	Various Public Improvements. & Acquisition				\$ 1,114,682	\$	\$ 1,114,682	\$
09-34	Refunding Tax Appeals				156,965		156,965	
09-25	Various Public Improvements				391,299		391,299	
07-18/09-26	Various Public Improvements				107,913		107,913	
21-10	Various Public Improvements				729,294		729,294	
38-10	Acq. of Communication Equipment				331,946		331,946	
09-11	Various Capital Improvements				1,087,043		1,087,043	
12-17	Various Capital Improvements				1,584,792		1,584,792	
12-33	Speedwell Development				1,777,215		1,777,215	
12-35	Park Improvements Pool				192,620		192,620	
16-13	Various Capital Improvements				1,138,080		1,138,080	
23-14	Various Capital Improvements				2,470,000		2,470,000	
9-15	Various Capital Improvements	9/29/2016	9/29/2017	.98%	2,681,470	2,681,470	2,681,470	2,681,470
2016-2	Various Capital Improvements	9/29/2016	9/29/2017	.98%		337,000		337,000
2016-3	Various Capital Improvements	11/23/2016	11/22/2017	1.15%		3,274,000		3,274,000
					<u>\$ 13,763,319</u>	<u>\$ 6,292,470</u>	<u>\$ 13,763,319</u>	<u>\$ 6,292,470</u>

-92-

<u>Ref.</u>	C	C-2	C
Sale of Bonds			\$ 10,924,000
BAN rolled over			2,681,470
Budget Appropriation			157,849
			<u>\$ 13,763,319</u>

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS
YEAR ENDED DECEMBER 31, 2016

C-10
Sheet #1

Issue	Date of Issue	Original Issue	Maturity of Bonds Outstanding December 31, 2016			Interest Rate	Balance, December 31, 2015	Increase	Decrease	Balance, December 31, 2016
			Date	Amount						
Refunding Bonds of 2005	2005	\$ 7,961,260	8/1/17	\$ 770,647	6.50 %	\$ 3,186,388	\$	\$ 739,192	\$ 2,447,196	
			8/1/18	802,102	6.50					
			8/1/19	874,447	6.50					
Refunding Bonds of 2009	3/1/2009	1,150,000.00	3/1/19	235,000	4.00	1,150,000.00			1,150,000.00	
			3/1/20	230,000	4.25					
			3/1/21	235,000	5.00					
			3/1/22	230,000	5.00					
			3/1/23	220,000	5.00					
Refunding Bonds of 2011	6/21/2011	1,500,630	3/1/17	240,844	4.0	722,532		242,428	480,104	
			3/1/18	239,260	3.0					
Refunding Bonds of 2012	1/26/2012	4,845,000				1,165,000		1,165,000		
Refunding Bonds of 2014	3/15/2014	4,975,000	9/15/17	1,225,000	3.0	4,975,000		1,235,000	3,740,000	
			9/15/18	1,240,000	4.0					
			9/15/19	1,275,000	4.0					

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS
YEAR ENDED DECEMBER 31, 2016

C-10
Sheet #2

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>December 31, 2016</u>			<u>Balance, December 31, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2016</u>
			<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>				
General Improvement Bonds of 2016	5/25/2016	\$ 10,924,000	6/1/17	\$ 410,000	2.0 %		\$10,924,000		\$10,924,000
			6/1/18	515,000	3.0				
			6/1/19	555,000	3.0				
			6/1/20	620,000	4.0				
			6/1/21	635,000	3.0				
			6/1/22	650,000	3.0				
			6/1/23	665,000	3.0				
			6/1/24	685,000	3.0				
			6/1/25	700,000	3.0				
			6/1/26	725,000	3.0				
			6/1/27	745,000	2.0				
			6/1/28	765,000	2.0				
			6/1/29	810,000	2.25				
			6/1/30	810,000	2.25				
			6/1/31	815,000	2.50				
			6/1/32	819,000	3.0				
						<u>\$ 11,198,920</u>	<u>\$10,924,000</u>	<u>\$ 3,381,620</u>	<u>\$ 18,741,300</u>
<u>Ref.</u>						C	C-2, C-5, C-6	C-5	C

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF RESERVE FOR REFUNDING
BOND ISSUANCE COSTS
YEAR ENDED DECEMBER 31, 2016

C-11

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	C	<u>\$ 9,680</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT SERVICE
YEAR ENDED DECEMBER 31, 2016

C-12

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	C	<u>\$ 506</u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS
YEAR ENDED DECEMBER 31, 2016

C-13

		<u>Balance, December 31, 2015 and 2016</u>
Computer Upgrades		\$ 7,946
Traffic Study		4,650
Open Space		15,000
Whole Foods - Streetscape Contribution		30,000
Developer's Contribution		<u>20,000</u>
		<u>\$ 77,596</u>
	<u>Ref.</u>	C

See Independent Auditors' Report

TOWN OF MORRISTOWN
GENERAL CAPITAL FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2016

C-14

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 97,358
Increased by:		
Budget Appropriation	C-2	1,150,000
		<u>1,247,358</u>
Decreased by:		
Improvement Authorizations Funded	C-7	1,044,000
		<u>1,044,000</u>
Balance, December 31, 2016	C	<u>\$ 203,358</u>

STATEMENT OF DUE TO CURRENT FUND
YEAR ENDED DECEMBER 31, 2016

C-15

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 1,426
Increased by:		
Interest	C-2	14,136
		<u>15,562</u>
Decreased by:		
Cash Disbursements	C-2	15,562
		<u>15,562</u>
Balance, December 31, 2016	C	<u>\$</u>

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2016

C-16

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2015</u>	<u>2016 Authorizations</u>	<u>Bond Anticipation Notes Issued</u>	<u>Balance December 31, 2016</u>
2016-2, 2016-3	Various Capital Improvements	\$	\$ 3,611,000	\$ 3,611,000	\$
		<u>\$</u>	<u>\$ 3,611,000</u>	<u>\$ 3,611,000</u>	<u>\$</u>
		<u>Ref.</u>	C-7		

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CASH - SEWER TREASURER
DECEMBER 31, 2016

D-5

	Ref.	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2015	D	\$ 879,074	\$ 755,524
Increased by Receipts:			
Consumer Accounts Receivable	D-6	8,201,391	
Reserve for Sewer Connection Fees	D-16		1,016,044
Anticipated Revenues:			
Sale of SREC's	D-3	176,782	
Interest	D-3	8,770	
Late Fees	D-3	25,967	
Sewer Connection Fees (from Capital)	D-3	131,851	
Interest (from Capital)	D-3, D-11	3,409	
Premium on Note Sale	D-2		53,587
Capital Improvement Fund	D-14		670,000
Prepaid Sewer Fees	D-15	70,624	
Overpayments	D-12	2,143	
Interest on Investments/MRNA	D-11	745	3,711
		<u>8,621,682</u>	<u>1,743,342</u>
Decreased by Disbursements:			
2016 Budget Appropriations	D-4	8,032,939	
2015 Budget Appropriations	D-9	16,119	
Refund of Overpayments	D-12	17,122	
Improvement Authorizations	D-22		76,346
Encumbrances Payable	D-10	40,445	
Accrued Interest on Bonds and Notes	D-13	368,592	
Payments to Sewer Operating Fund	D-11		3,409
Reserve for Connection Fees	D-16		131,851
		<u>8,475,217</u>	<u>211,606</u>
Balance, December 31, 2016	D	<u>\$ 1,025,539</u>	<u>\$ 2,287,260</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

ANALYSIS OF SEWER UTILITY CAPITAL CASH
DECEMBER 31, 2016 AND 2015

D-5A

	<u>Balance</u> December 31, 2016	<u>Balance</u> December 31, 2015
Fund Balance	\$ 165,759	\$ 112,172
Contracts Payable	19,780	19,780
Reserve for Sewer Connections	1,141,266	257,073
Capital Improvement Fund	152,000	152,000
Interfund Payable	2,581	2,278
Improvement Authorizations:		
<u>Ord. No.</u>	<u>Improvements Description</u>	
72-10/88-06	Improvements to Sanitary Sewerage System (995)	(995)
04-27	Repairs/Replacement of Sewer Lines/Equipment 1,420	1,780
06-24	Various Sewer Improvements 191	191
07-16	Various Sewer Improvements 2,737	2,737
08-10	Solar Energy Project (254,224)	(250,046)
10-15	Sewer Line Replacement 2,054	2,054
10-20	Facility Repairs & Improvements 2,458	2,458
11-10	Various Sewer Repairs 591	591
11-20	Improv. to Sewer Utility Complex 16	16
13-21	Various Sewer Improvements 1,806	1,806
22-14	Various Sewer Repairs 2,203	18,791
21-15	Various Sewer Improvements 377,617	432,838
26-16	Various Sewer Improvements 670,000	
	<u>\$ 2,287,260</u>	<u>\$ 755,524</u>

STATEMENT OF CONSUMERS ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

D-6

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 51,632
Increased by:		
Sewer Rents Levied	Reserve	8,488,015
		<u>8,539,647</u>
Decreased by:		
Sewer Rents Collected:		
Cash Receipts	D-5	\$ 8,201,391
Prepaid Applied	D-15	65,630
	D-3	<u>8,267,021</u>
Balance, December 31, 2016	D	<u>\$ 272,626</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF FIXED CAPITAL
YEAR ENDED DECEMBER 31, 2016

D-7

<u>Description</u>	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>Completed</u> <u>Improvements</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>
Sanitary Sewerage System	\$ 66,938,972	\$	\$ 66,938,972
Sewer Line Replacement and Repairs	1,546,535	200,000	1,746,535
Equipment	101,382		101,382
	<u>\$ 68,586,889</u>	<u>\$ 200,000</u>	<u>\$ 68,786,889</u>

Ref. D D-8 D

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
YEAR ENDED DECEMBER 31, 2016

D-8

<u>Or. No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>2016</u> <u>Authorizations</u> <u>Deferred</u> <u>Charges to</u> <u>Future Revenue</u>	<u>Transferred to</u> <u>Fixed Capital</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>
04-27	Repairs/Replacement of Sewer Lines/Equipment	\$ 8,907	\$	\$	\$ 8,907
06-24	Various Sewer Improvements	392			392
07-16	Various Sewer Improvements	2,166			2,166
08-10	Solar Energy Project	4,900,000			4,900,000
08-21	Various Sewer Improvements	275,000			275,000
10-15	Sewer Line Replacement	100,000			100,000
10-20	Facility Repairs & Improvements	680,000			680,000
11-10	Various Sewer Repairs	377,000			377,000
11-20	Improv. to Sewer Utility Complex	2,000,000			2,000,000
12-16	Facility Repairs & Improvements	200,000		200,000	
12-34	Sewer Complex Supplemental	625,000			625,000
21-13	Various Sewer Improvements	1,013,000			1,013,000
22-14	Various Sewer Repairs	210,000			210,000
21-15	Various Sewer Improvements	670,000			670,000
26-16	Various Sewer Improvements		670,000		670,000
		<u>\$ 11,061,465</u>	<u>\$ 670,000</u>	<u>\$ 200,000</u>	<u>\$ 11,531,465</u>

Ref. D D-22 D-7 D

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF APPROPRIATION RESERVES -
OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

D-9

	Balance December 31, <u>2015</u>	Modified <u>Budget</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salary and Wages	\$ 6,145	\$ 45	\$	\$ 45
Other Expenses	<u>24,575</u>	<u>30,675</u>	<u>16,119</u>	<u>14,556</u>
	<u>\$ 30,720</u>	<u>\$ 30,720</u>	<u>\$ 16,119</u>	<u>\$ 14,601</u>
<u>Ref.</u>	D		D-5	D-1

STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

D-10

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 40,445
Increased by:		
Charges to 2016 Appropriations	D-4	<u>95,263</u>
		135,708
Decreased by:		
Cash Disbursements	D-5	<u>40,445</u>
Balance, December 31, 2016	D	<u>\$ 95,263</u>

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TOWN OF MORRISTOWN
SEWER UTILITY FUND

D-11

STATEMENT OF INTERFUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Sewer Operating Fund</u>	<u>Sewer Capital Fund</u>
Balance December 31, 2015			
Due from	D	<u>\$ 2,278</u>	
Due (to)	D		<u>\$ (2,278)</u>
Increased by:			
Cash Transferred to Sewer Operating Fund	D-5		3,409
Accrued Interest/MRNA	D-5	<u>3,711</u>	
		3,711	<u>3,409</u>
Decreased by:			
Interest Income/MRNA	D-2		3,711
Cash Receipts	D-5	<u>3,409</u>	
		3,409	<u>3,711</u>
Balance December 31, 2016			
Due from	D	<u>\$ 2,581</u>	
Due (to)	D		<u>\$ (2,581)</u>

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF OVERPAYMENTS -
OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

D-12

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 22,481
Increased by:		
Cash Receipts	D-5	2,143
		24,624
Decreased by:		
Cash Disbursed	D-5	17,122
		17,122
Balance, December 31, 2016	D	\$ 7,502

STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

D-13

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 148,554
Increased by:		
Budget Appropriation for:		
Interest on Bonds and Notes	D-4	373,789
		522,343
Decreased by;		
Cash Disbursements	D-5	368,592
		368,592
Balance, December 31, 2016	D	\$ 153,751

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

D-14

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 152,000
Increased by		
Budget Appropriation	D-5	670,000
		822,000
Decreased by		
Finance Improvement Authorization	D-20, D-22	670,000
		670,000
Balance, December 31, 2016	D	\$ 152,000

STATEMENT OF PREPAID SEWER FEES
SEWER UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

D-15

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 65,630
Increased by;		
Cash Receipts	D-5	70,624
		136,254
Decreased by;		
Cash Disbursements	D-5	65,630
		65,630
Balance, December 31, 2016		\$ 70,624

STATEMENT OF RESERVE FOR SEWER CONNECTION FEES
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

D-16

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 257,072
Increased by;		
Cash Receipts	D-5	1,016,044
		1,273,116
Decreased by:		
Realized in Operating Fund	D-5	131,851
		131,851
Balance, December 31, 2016	D	\$ 1,141,265

See Independent Auditors' Report

TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF SERIAL BONDS -
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

D-17

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2016</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2016</u>
			<u>Date</u>	<u>Amount</u>						
Refunding Bonds of 2005	2005	\$ 6,843,105	8/1/17	\$ 454,352	6.50 %	\$ 1,878,606	\$	\$ 435,807	\$ 1,442,799	
			8/1/18	472,897	6.50					
			8/1/19	515,550	6.50					
Refunding Bonds 2009	10/1/09	2,475,000	3/1/19	505,000	4.00 %	2,475,000.00			2,475,000.00	
			3/1/20	495,000	4.25					
			3/1/21	495,000	5.00					
			3/1/22-23	490,000	5.00					
Refunding Bonds 2011A	7/13/11	3,234,370	3/1/17	519,156	4.00 %	1,557,468		522,572	1,034,896	
			3/1/18	515,740	3.00					
Refunding Bonds 2011B	7/13/11	820,000	3/1/17	85,000	4.00 %	550,000		85,000	465,000	
			3/1/18	80,000	3.00					
			3/1/19	80,000	3.00					
			3/1/20	80,000	3.00					
			3/1/21	75,000	3.125					
			3/1/22	65,000	3.25					
Refunding Bonds 2014	3/15/2014	625,000	3/15/17	155,000	3.00 %	625,000		160,000	465,000	
			3/15/18	155,000	4.00					
			3/15/19	155,000	4.00					
						<u>\$ 7,086,074</u>	<u>\$</u>	<u>\$ 1,203,379</u>	<u>\$ 5,882,695</u>	
						Ref	D	D-20	D	

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TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF BOND ANTICIPATION NOTES
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

D-18

<u>Ord No.</u>		<u>Date of Original Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2016</u>
08-10	Solar Energy Project	9/16/08	06/9/17	2.25 %	\$ 1,841,122	\$	\$ 878,382	\$ 962,740
10-20	Various Sewer Facility Repairs & Improvements	06/14/11	06/9/17	2.25	626,410		8,608	617,802
11-20	Improvements to Sewer Utility Complex	06/14/12	06/9/17	2.25	1,931,034		68,966	1,862,068
11-10	Facility Repairs & Improvements	06/14/12	06/9/17	2.25	372,227		4,773	367,454
12-16	Facility Repairs & Improvements	9/7/12	06/9/17	2.25	197,468		2,532	194,936
					<u>\$ 4,968,261</u>	<u>\$</u>	<u>\$ 963,261</u>	<u>\$ 4,005,000</u>
				<u>Ref.</u>	D		D-20	D

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TOWN OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

D-19

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	D	<u>\$ 19,780</u>

STATEMENT OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

D-20

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 65,149,575
Increased by:		
Ordinance Funded by Capital Improvement Fund	D-14	\$ 670,000
Paid by Budget Appropriation - BANs	D-18	963,261
Paid by Budget Appropriation - Serial Bonds	D-17	1,203,379
		<u>2,836,640</u>
Balance, December 31, 2016	D	<u>\$ 67,986,215</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, 2016

D-21

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2015</u>	Increased by Grant <u>Proceeds</u>	Transfer (To) From <u>Reserve for Amortization</u>	Balance December 31, <u>2016</u>
04-27	Repairs/Replacement of Sewer Lines/Equipment	\$ 8,907	\$	\$	\$ 8,907
06-24	Various Sewer Improvements	392			392
07-16	Various Sewer Improvements	2,166			2,166
08-10	Solar Energy Project	<u>1,515,298</u>			<u>1,515,298</u>
		<u>\$ 1,526,763</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,526,763</u>
		<u>Ref.</u>	D		D

See Independent Auditors' Report

TOWNSHIP OF MORRISTOWN
SEWER UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

D-22

Ord. No	Improvement Description	Ordinance Amount	<u>Balance December 31, 2015</u>		2016 Authorization	Paid or Charged	<u>Balance December 31, 2016</u>	
			Funded	Unfunded			Funded	Unfunded
04-27/05-22	Repairs/Replacements of Sewer Lines/Equipment	\$ 934,000	\$ 1,820	\$	\$	\$ 400	\$ 1,420	\$
06-24	Various Sewer Improvements	400,000	191				191	
07-16	Various Sewer Improvements	224,000	2,737				2,737	
08-10	Solar Energy Project	4,900,000		41,600		4,138		37,462
08-21	Various Sewer Improvements	275,000						
10-15	Sewer Line Replacement	100,000		2,054			2,054	
10-20	Facility Repairs & Improvements	680,000		2,458				2,458
11-10	Various Sewer Repairs	377,000		591				591
11-20	Improvement to Sewer Complex	2,000,000		16				16
12-34	Sewer Complex - Supplemental	625,000		625,000				625,000
21-13	Various Sewer Improvements	1,013,000	1,806				1,806	
22-14	Various Sewer Repairs	210,000	18,791			16,588	2,203	
21-15	Various Sewer Improvements	670,000	432,838			55,220	377,618	
26-16	Various Sewer Improvements	670,000			670,000		670,000	
			<u>\$ 458,183</u>	<u>\$ 671,719</u>	<u>\$ 670,000</u>	<u>\$ 76,346</u>	<u>\$ 1,058,029</u>	<u>\$ 665,527</u>
	<u>Ref.</u>		D	D	D-8	D-5	D	D

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TOWN OF MORRISTOWN
SEWER UTILITY FUND

D-23

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
SEWER UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>2016</u> <u>Authorizations</u>	<u>Adjustment</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>
72-10/88-06	Improvements to Sanitary Sewerage System	\$ 995	\$	\$	\$ 995
08-10	Solar Energy Project	384,702		93,016	291,686
09-29	Acquisition of Property	400,000		400,000	
12-34	Sewer Complex Supplemental	625,000			625,000
		<u>\$ 1,410,697</u>	<u>\$</u>	<u>\$ 493,016</u>	<u>\$ 917,681</u>
		<u>Ref.</u>	D		D

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF CASH - TREASURER
YEAR ENDED DECEMBER 31, 2016

E-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2015	E	\$ 27,694	\$ 40,342
Increased by Receipts:			
Received from Federal Aviation Administration	E-9		\$3,174,478
Received from DM Developers	E-6	\$ 210,002	311,195
Received from State of New Jersey	E-10		89,599
Interest on Investments	E-3	483	347
Interest Income - Due from Airport Capital	E-20	389	
		<u>210,874</u>	<u>3,575,619</u>
		238,568	3,615,961
Decreased by Disbursements:			
Improvement Authorizations	E-13		3,497,958
Appropriation Reserves	E-12	800	
Transferred to Operating	E-20		389
Transferred to Current Fund	E-19	215,000	
		<u>215,800</u>	<u>3,498,347</u>
Balance, December 31, 2016	E	<u>\$ 22,768</u>	<u>\$ 117,615</u>

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

E-5a

ANALYSIS OF CAPITAL CASH
DECEMBER 31, 2016 AND 2015

	Balance, December 31, 2016	Balance, December 31, 2015
Fund Balance	\$ 211	\$ 211
Due from FAA	(2,646,718)	(4,769,796)
Due from State of New Jersey	(1,985,250)	(2,016,438)
Due to/(from) Lessee	(62,196)	(314,979)
Due to Current Fund	60,358	60,358
Due to/from Operating		42
Reserve for Future Improvements	106,517	106,517
Contracts Payable	2,396,586	4,816,451
<u>Ord. No.</u>	<u>Improvement Authorizations:</u>	
	63,107	
19-13	54,000	54,000
27.15		103,976
30-15	2,000,000	2,000,000
40-16	131,000	
	\$ 117,615	\$ 40,342

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE
OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

E-6

	<u>Ref.</u>	
Balance, December 31, 2015		\$
Increased by:		
Lease Rental Accrued	Reserve	210,002
		<u>210,002</u>
Decreased by:		
Cash Receipts	E-5	210,002
		<u>210,002</u>
Balance, December 31, 2016		<u><u>\$</u></u>

STATEMENT OF FIXED CAPITAL
AIRPORT UTILITY OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

E-7

	<u>Balance December 31, 2015 and 2016</u>
Building, Hangars, Lighting and Fencing	\$ 5,151,382
Apron and Taxiways	16,289,414
Parking Gate	13,561
Purchase of Land and Enlargement of Airport	5,943,801
Sanitation Sewer and Access Road	10,000
Various Improvements of Municipal Airport	4,608,153
Drainage Improvements	600,350
Electrical Vault Relocation/Circuit Replacement	1,420,705
Airport Overlay Project	860,587
Airport Layout Plan Update	225,000
Master Plan	278,817
Environmental Assessment	1,181,643
Automated Weather Observation System	340,758
Runway Rehabilitation and Improvements	23,546,351
Prec. Approach Indicator (PAPI)	49,425
Wildlife/Deer Fence	1,079,025
Tractor and Snow Removal Equipment	772,001
Fire and Rescue Trucks	246,606
Various Equipment and Vehicles	9,107
	<u>9,107</u>
	<u><u>\$ 62,626,686</u></u>
<u>Ref.</u>	<u>E</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-8

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2015</u>	<u>2016 Authorizations Deferred Reserve for Amortization</u>	<u>Cost To Fixed Capital</u>	<u>Balance, December 31, 2016</u>
19-13	Certain Capital Improvements	\$ 54,000	\$	\$	\$ 54,000
27-15	Runway 5-23 Rehabilitation	5,241,000			5,241,000
30-15	Runway 5-23 Keel Rehabilitation	2,000,000			2,000,000
29-16	Rehabilitation of Taxiway B		914,671		914,671
32-16	Runway 23 Obstruction Removal		122,552		122,552
40-16	Runway 31 Obstruction Removal		131,000		131,000
		<u>\$ 7,295,000</u>	<u>\$ 1,168,223</u>	<u>\$</u>	<u>\$ 8,463,223</u>
	Ref.	E	E-13		E

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM FAA
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-9

	<u>Ref.</u>	
Balance, December 31, 2015	E	\$ 4,769,796
Increased by:		
2016 Improvement Authorizations	E-13	<u>1,051,400</u>
		5,821,196
Decreased by:		
Cash Receipts	E-5	<u>3,174,478</u>
Balance, December 31, 2016	E	<u>\$ 2,646,718</u>

STATEMENT OF DUE FROM STATE OF NEW JERSEY
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-10

	<u>Ref.</u>	
Balance, December 31, 2015	E	\$ 2,016,438
Increased by:		
2016 Improvement Authorizations	E-13	<u>58,412</u>
		2,074,850
Decreased by:		
Cash Receipts	E-5	<u>89,599</u>
Balance, December 31, 2016	E	<u>\$ 1,985,250</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM/TO LESSEE
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-11

	<u>Ref.</u>	
Balance, December 31, 2015 (Due from)	E	\$ 314,979
Increased by:		
2016 Improvement Authorizations	E-13	58,412
		373,391
Decreased by:		
Cash Received	E-5	311,195
		311,195
Balance, December 31, 2016 (Due from)	E	\$ 62,196

STATEMENT OF APPROPRIATION RESERVES
OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

E-12

	<u>Balance,</u> <u>December 31,</u> <u>2015</u>	<u>Balance After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Other Expenses	\$ 5,000	\$ 5,000	\$ 800	\$ 4,200
	5,000	5,000	800	4,200
<u>Ref.</u>	E	E	E-5	E-1

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2016

E-13

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<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>	<u>Balance</u> <u>December 31,</u> <u>2015 Funded</u>	<u>Grants</u>	<u>Encumbrances</u> <u>Canceled</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>December 31,</u> <u>2016 Funded</u>
	Prior year Ordinances		\$ 103,976	\$	\$	\$ 40,869	\$ 63,107
19-13	Runway 5-23 Feasibility Phase I	54,000	54,000				54,000
23-13	Runway 5-23 Environmental Study	1,064,840			119,673	119,673	
27-15	Runway 5-23 Rehabilitation	5,241,000			4,816,450	4,816,450	
30-15	Runway 5-23 Keel Rehabilitation	2,000,000	2,000,000				2,000,000
29-16	Rehabilitation of Taxiway B	914,671		914,671		914,671	
32-16	Runway 23 Obstruction Removal	122,552		122,552		122,552	
40-16	Runway 31 Obstruction Removal	131,000		131,000			131,000
			<u>\$ 2,157,976</u>	<u>\$ 1,168,223</u>	<u>\$ 4,936,123</u>	<u>\$ 6,014,215</u>	<u>\$ 2,248,107</u>
	<u>Ref.</u>		E	E-8	E-16	Below	E
	Due from FAA	E-9		\$ 1,051,400			
	Due from NJDOT	E-10		58,412			
	Due from DM Developers	E-11		58,412			
		E-15		<u>\$ 1,168,223</u>			
	Cash Disbursed	E-5				\$ 3,497,958	
	Contracts Payable	E-16				2,516,257	
						<u>\$ 6,014,215</u>	

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF RESERVE FOR AMORTIZATION
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-14

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	E	<u>\$ 62,626,686</u>

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-15

	<u>Ref.</u>	
Balance, December 31, 2015	E	\$ 7,295,000
Increased by:		
New Projects	E-13	1,168,223
Balance, December 31, 2016	E	<u>\$ 8,463,223</u>

	Balance, December 31, <u>2016</u>
<u>Description</u>	
Runway 5-23 Feasibility Phase I	\$ 54,000
Runway 5-23 Rehabilitation	5,241,000
Runway 5-23 Keel Rehabilitation	2,000,000
Rehab. of Taxiway B	914,671
Runway 23 Obstruction Removal	122,552
Runway 31 Obstruction Removal	131,000
	<u>\$ 8,463,223</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
AIRPORT UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE
AIRPORT UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-16

	<u>Ref.</u>	
Balance, December 31, 2015	E	\$ 4,816,451
Increased by:		
Charges to Improvement Authorizations	E-13	2,516,257
		<u>7,332,709</u>
Decreased by:		
Cancelled	E-13	4,936,123
		<u>4,936,123</u>
Balance, December 31, 2016	E	<u>\$ 2,396,586</u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS
AIRPORT UTILITY CAPITAL FUND
DECEMBER 31, 2016 and 2015

E-17

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	E	<u>\$ 106,517</u>

STATEMENT OF DUE TO/FROM CURRENT FUND
AIRPORT UTILITY CAPITAL FUND
YEAR ENDED DECEMBER 31, 2016

E-18

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	E	<u>\$ 60,358</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN
 STATEMENT OF DUE TO CURRENT FUND
 AIRPORT OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

E-19

	<u>Ref.</u>	
Balance, December 31, 2015		\$
Increased by:		
Fund Balance Anticipated by Current Fund	E-4	215,000
		<u>215,000</u>
Decreased by:		
Funds Disbursed to Current Fund	E-5	215,000
Balance, December 31, 2016		<u><u>\$</u></u>

STATEMENT OF DUE FROM AIRPORT CAPITAL
 AIRPORT OPERATING FUND
YEAR ENDED DECEMBER 31, 2016

E-20

Balance, December 31, 2015	E	\$ 42
Increased by:		
Interest Accrued by Capital	E-3, E-5	347
		<u>389</u>
Decreased by:		
Funds Received by Operating	E-5	389
Balance, December 31, 2016	E	<u><u>\$</u></u>

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

**PART II
GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT SECTION
YEAR ENDED DECEMBER 31, 2016**

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

Independent Auditors' Report

**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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the regulatory basis financial statements of the various funds and account group of the Town of Morristown, Morris County, New Jersey (the "Town"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated May 1, 2017, in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the financial reporting provisions of the Division.

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.

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*.

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.

PKF O'Connor Davies, LLP

Livingston, New Jersey
May 1, 2017



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

**Report on Compliance For Each Major Federal Program and Report on Internal Control Over
Compliance and Required by the Uniform Guidance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Morristown's, Morris County, New Jersey's (the "Town") compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2016. The Town's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal 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 federal 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 federal programs for the year ended December 31, 2016.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

May 1, 2017
Livingston, New Jersey



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

TOWN OF MORRISTOWN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR FISCAL YEAR ENDED DECEMBER 31, 2016

Schedule A

Federal Funding Department and Description	Grant Number	C.F.D.A. No.	Passed Through Entity Identifying Number	Passed Through To Sub Recipients	Award Amount	2016 Funds Received	12/31/16 Expenditures	Cumulative Expenditures
U.S. Department of Housing and Urban Development								
Community Development Block Grant:	B-09-UV-34-0101							
2015 Gramby Park		14.218			17,470	17,470	-	17,470
Total U.S. Department of Housing and Urban Development					17,470	17,470	-	17,470
US Department of Justice								
Equitable Sharing	NJ0142400	16.922			1,517,373	-	120,306	1,508,266
Total US Department of Justice					1,517,373	-	120,306	1,508,266
US Department of Transportation								
<u>Airport Improvement Program</u>								
2012 Wildlife Hazard Plan	6070-100-XXX	20.106			141,866	11,421	10,822	141,866
2013 Environmental Assessment Runway 5-23					958,356	84,309	81,707	123,239
2013 Runway 5-23 Feasibility Phase I					54,000	-	-	-
2015 Various Capital Improvements					4,716,900	2,519,113	2,519,683	3,025,474
2015 Various Capital Improvements					823,204	544,740	535,950	535,950
Total Airport Improvement Program					6,694,326	3,159,583	3,148,162	3,826,529
<u>Highway Planning and Construction</u>								
Passed Through New Jersey Department of Transportation	6320-480-AJ3	20.205	078-6320-480					
Improvement to South Street (Ord 2008-20)					252,000	-	-	219,563
NJ DOT Local Aid Infrastructure-Cory Road					75,918	-	7,687	7,687
NJ DOT Municipal Aid Program-Abbott Ave (11)					150,000	-	-	147,494
NJ DOT Safe Streets to Transit					85,000	-	-	56,582
NJ DOT Safe Routes to School					120,000	-	88,587	88,587
Pedestrian Safety Washington Street Phase III					250,000	99,045	217,122	217,122
Total Highway Planning and Construction					932,918	99,045	313,396	737,035
<u>Recreation Trails Program</u>								
Passed Through New Jersey Department of Transportation	4875-542-320010-60	20.219	042-4875-100					
Natural and Historic Resource	4875-100-205							
Footes Pond Wood Park					25,000	-	3,490	18,359
Total Recreation Trails Program					25,000	-	3,490	18,359
Total Highway Planning and Construction Cluster								
					957,918	99,045	316,886	755,394
<u>Highway Training and Education</u>								
Passed Through New Jersey Department of Transportation		20.215	066-1160-100					
2015 Pedestrian Safety, Education and Enforcement Fund					14,986	10,813	10,838	10,838
Total Highway Training and Education					14,986	10,813	10,838	10,838
<u>Occupant Protection Incentive Grants</u>								
Passed Through New Jersey Department of Transportation		20.602	066-1160-100					
Click-it or Ticket					5,000	2,400	3,001	3,001
Total Occupant Protection Incentive Grants					5,000	2,400	3,001	3,001
Total U.S. Department of Transportation								
					7,672,230	3,271,841	3,478,887	4,595,762
US Department of Homeland Security								
Assistance to Firefighters:								
2008 Turnout Gear	EMW-2008-FO-11636	97.044			80,912	-	262	79,335
2009 Regional	EMW-2009-FO-11636	97.077			200,911	-	-	177,668
Total US Department of Homeland Security:					281,823	-	262	257,003
TOTAL FEDERAL AWARDS								
					\$ 9,488,896	\$ 3,289,311	\$ 3,599,455	\$ 6,378,502

See Notes to Schedule of Expenditures of Federal and State Awards

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

**TOWN OF MORRISTOWN
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS
DECEMBER 31, 2016**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

Current Fund	\$ 330,987
Trust	120,306
Airport Utility Capital Fund	<u>3,148,162</u>
	<u><u>3,599,455</u></u>

NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE 5 INDIRECT COST RATE

The Town has elected not to use the 10 percent de minimis indirect cost rate as allowed by the Uniform Guidance.

**TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section 2 – Financial Statements Findings

NONE

Section 3 – Major Federal and State Awards Findings and Questioned Costs

NONE

Section 4 – Prior Year Audit Findings and Questions Costs

NONE

Schedule of Prior Year Findings

NONE

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

PART III

**SUPPLEMENTARY DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2016**

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

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

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$4,250,000	5.25%	\$ 2,475,000	2.89%
Miscellaneous – From Other Than Local				
Property Tax Levies	12,997,672	16.04	12,205,684	14.29
Collection of Delinquent Taxes	610,350	.75	512,835	.60
Collection of Current Tax Levy	59,100,016	72.95	57,502,687	67.32
Other Credits to Income	<u>4,051,799</u>	<u>5.01</u>	<u>12,714,971</u>	<u>14.90</u>
Total Income	<u>81,009,837</u>	<u>100.00%</u>	<u>85,411,176</u>	<u>100.00%</u>
 EXPENDITURES				
Budget Expenditures				
Municipal Purposes	39,322,702	51.07%	36,733,985	51.20%
Transfer to Board of Education	218,777	.28	188,435	0.26
County Taxes	7,199,812	9.35	6,539,929	9.11
Regional School Taxes	30,115,332	39.11	28,277,025	39.41
Other Expenditures	<u>149,847</u>	<u>.19</u>	<u>376,163</u>	<u>.02</u>
Total Expenditures	<u>77,007,470</u>	<u>100.00%</u>	<u>72,114,537</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	4,002,368		13,296,639	
Add: Deferred Charges	<u>117,600</u>		<u> </u>	
Fund Balance, Beginning of Year	<u>14,920,374</u>		<u>4,098,735</u>	
	19,040,342		17,395,374	
Decreased by: Utilization as Anticipated Revenue	<u>4,250,000</u>		<u>2,475,000</u>	
Fund Balance, End of Year	<u>\$14,790,342</u>		<u>\$14,920,374</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 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 425,000	4.69%	\$ 25,000	1.46%
Sewer Rents	8,267,024	91.30	8,169,566	95.65
Miscellaneous Revenue Anticipated	347,081	3.83	248,622	2.91
Other Credits to Income	<u>15,346</u>	<u>.18</u>	<u>6,615</u>	<u>.07</u>
Total Income	<u>9,054,451</u>	<u>100.00%</u>	<u>8,549,803</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	2,010,439	37.57%	1,991,655	40.03%
Capital Improvements	670,000	12.52	670,000	13.47
Debt Service	2,535,232	47.38	2,182,284	43.86
Statutory Expenditures	<u>134,900</u>	<u>2.53</u>	<u>131,726</u>	<u>2.64</u>
Total Expenditures	<u>5,350,571</u>	<u>100.00%</u>	<u>4,975,665</u>	<u>100.00%</u>
Excess Revenue	3,703,880		3,574,138	
Adjustment to Income Before Fund Balance Anticipated Surplus Appropriated to Current Fund Balance	<u>3,225,000</u>		<u>3,225,000</u>	
Statutory Excess in Revenue to Fund Balance	478,880		349,138	
Fund Balance, Beginning of Year	<u>563,520</u>		<u>339,382</u>	
			688,520	
Decreased by:				
Utilization by Sewer Operating Budget	<u>425,000</u>		<u>125,000</u>	
Fund Balance, End of Year	<u>\$ 617,400</u>		<u>\$ 563,520</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 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 20,000	8.51%	\$ 20,000	8.48%
Lease Rents	210,002	89.35	210,002	89.07
Non-Budget Revenue	830	0.35	775	0.33
Other Credits to Income	<u>4,200</u>	<u>1.79</u>	<u>5,000</u>	<u>2.12</u>
Total Income	<u>235,032</u>	<u>100.00%</u>	<u>235,777</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating / Surplus Anticipated	<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	230,032		215,777	
Adjustment to Income Before Fund Balance				
Anticipated Surplus Appropriated to Current Fund Balance	<u>215,000</u>		<u>215,000</u>	
Statutory Excess in Revenue to Fund Balance	15,032		15,777	
Fund Balance, Beginning of Year	<u>22,786</u>		<u>27,009</u>	
	37,818		42,786	
Decreased by:				
Utilized as Anticipated Revenue	<u>20,000</u>		<u>20,000</u>	
Fund Balance, End of Year	<u>\$ 17,818</u>		<u>\$ 22,786</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	<u>\$ 2.617</u>	<u>\$ 2.625</u>	<u>\$ 2.596</u>
<u>Appointment of Tax Rate</u>			
Municipal	.922	1.012	1.013
County	.320	.296	.299
Library	.039	.039	.039
Regional School	1.336	1.278	1.246
<u>Assessed Valuation</u>			
2016	<u>\$2,254,659,255</u>		
2015		<u>\$ 2,213,302,897</u>	
2014			<u>\$ 2,210,474,371</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>
2016	\$ 60,719,526	\$ 59,100,016	97.33%
2015	58,142,019	57,502,687	98.90%
2014	57,421,487	56,444,323	98.20%

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>
2016	\$ 1,549,749	\$105,734	\$1,655,483	2.72%
2015	621,434	101,767	723,201	1.24%
2014	3,082,957	105,432	3,188,389	5.55%

**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>
2016	\$2,193,200
2015	2,193,200
2014	2,193,200

Comparison of Sewer Utility Levies and Collections

<u>Year</u>	<u>Levy</u>	<u>Cash Collections (*)</u>	<u>Percentage of Collection</u>
2016	\$8,567,546	\$8,267,766	96.50%
2015	7,936,343	8,169,556	103.00
2014	7,885,626	7,890,139	100.01

* 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	2016	\$14,790,342	\$3,475,000
	2015	14,920,374	4,250,000
	2014	4,098,735	2,620,000
	2013	5,086,442	1,700,000
	2012	4,033,623	2,000,000
	2011	1,556,035	1,460,000
	2010	2,531,650	1,923,000
Sewer Utility Operating Fund	2016	\$617,400	\$280,000
	2015	563,520	425,000
	2014	339,383	125,000
	2013	259,081	
	2012	24,026	20,000
	2011	337,795	325,000
	2010	570,547	325,000
Airport Utility Operating Fund	2016	\$17,818	\$15,000
	2015	22,786	20,000
	2014	27,010	20,000
	2013	31,006	20,000
	2012	31,240	10,000
	2011	36,159	10,000
	2010	41,059	10,000

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Timothy P. Dougherty	Mayor		
Rebecca Feldman	Council Member – President		
Toshiba Foster	Council Member – Vice President		
Raline Smith Reid	Council Member		
Stefan Armington	Council Member		
Alison Deeb	Council Member		
Michelle Dupree Harris	Council Member		
Michael Elms	Council Member		
Jillian Barrick	Business Administrator		
Kevin D. Harris	Town Clerk		
Frank Mason	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		
Vijayant Pawar	Director of Law/Municipal Attorney		
Elnardo Webster	Assistant Municipal Attorney		
Terry Webb	Public Defender		
Robert Rudy III	Municipal Prosecutor		
Anthony Devizio	Engineer		
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
Heather	Court Administrator	1,000,000	Garden State Municipal Joint Ins. Fund
Yogesh Dave	Deputy Court Administrator		
Denise Hughey	Deputy Court Administrator		
K. Peter Demnitz	Chief of Police		
Robert Flanagan	Fire Chief		
Position Open	Director of Code Enforcement		
James Gonroski	Plumbing Sub-Code Official		
Fritz Reuss	Construction Official/Building Sub-code Official		
William O'Connor	Electrical Sub-code Official		
Edward Pehowic, Jr.	Fire Sub-code Official		
Carlos Perez	Health Officer		
James Cambell	Zoning Officer		
Amanda Applegate	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 through June 30 and \$40,000 after July 1.

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 or \$40,000 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A: 11-6.

Pension Eligibility

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

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

Collection of Interest of Delinquent Taxes, Assessments and Sewer Charges

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

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

The Governing Body on January 1, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes and sewer accounts:

BE IT FURTHER RESOLVED, that the interest charged on 2016 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 during 2016. 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>
2016	5
2015	5
2014	4

GENERAL COMMENTS

General and Subsidiary Ledgers

It was noted that the general ledger of various funds are not being reconciled and agreed to subsidiary ledgers of the related fund.

Vouchers

It was noticed that certain invoices were covered by confirming orders, which is not in accordance with the Local Public Contracts Law.

RECOMMENDATIONS

1. Fund general ledgers and subsidiary ledgers should be reconciled on a monthly basis.
2. The use of confirming orders should be eliminated.

**TOWN OF MORRISTOWN
SUPPLEMENTARY DATA**

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

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

PKF O'Connor Davies, LLP

May 1, 2017
Livingston, New Jersey

A handwritten signature in blue ink that reads "Francis M. McEnerney". The signature is written in a cursive, flowing style.

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