



**TOWN OF MORRISTOWN**  
**MORRIS COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEARS ENDED DECEMBER 31, 2017 and 2016**

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

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
YEAR ENDED DECEMBER 31, 2017 and 2016**

## 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, 2017 and 2016, and the related statements of revenues, expenditures and changes in fund balances for the years ended and related notes to the financial statements, the statements of changes in fund balances, statements of revenues, statements of expenditures for the year ended December 31, 2017, 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, 2017 and 2016 and the results of its operations and changes in fund balance, 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, 2017 and 2016, and the respective results of its operations and changes in fund balance for the years then ended and statements of changes in fund balances, the statement of revenues and statements of expenditures of the various funds for the year ended December 31, 2017 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 2017 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 and NJ OMB Circular 15-08***

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 schedules of expenditures of federal awards and state financial assistance, 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)* and New Jersey OMB Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

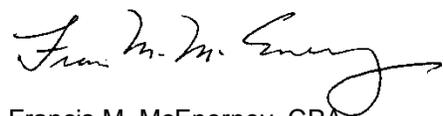
The schedules of expenditures of federal awards and state financial assistance are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing 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 schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018 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*

June 26, 2018  
Livingston, New Jersey



Francis M. McEnerney, CPA  
Licensed Registered Municipal Accountant, No. 539

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

A  
Sheet # 1

ASSETS	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>OPERATING FUND</b>			
Cash and Cash Equivalents - Treasurer	A-4	\$ 21,020,573	\$ 18,615,389
Cash - Change Funds	A-5	250	250
Prepaid School Taxes	A-19	2,279	
		<u>21,023,102</u>	<u>18,615,639</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-7	525,112	1,549,749
Special Improvement District Taxes Receivable	A-8	33,469	29,457
Tax Tile Lien Receivable	A-9	119,139	105,734
Demolition Liens	A-10	2,946	2,946
Property Acquired for Taxes - Assessed Valuation	A-11	2,193,200	2,193,200
Revenue Accounts Receivable	A-12	74,328	80,049
Due from Southeast Morris County MUA	A-14	1,800,000	1,830,000
Due from Sewer Operating	A-16	2,764	
Due from Trust Other	A-16	43,169	
Due from General Capital	A-16	10,438	
Due from Airport Capital Fund	A-16	60,358	60,358
Due from Grant Fund	A-16	43,319	151,319
		<u>4,908,242</u>	<u>6,002,812</u>
Deferred Charges:			
Emergency Authorization	A-24		117,600
 Total Current Fund		 <u>25,931,344</u>	 <u>24,736,051</u>
<b>GRANT FUND</b>			
Cash	A-4	190,171	80,108
Grant Receivable	A-26	2,058,043	1,000,396
		<u>2,248,214</u>	<u>1,080,504</u>
 Total		 <u>\$ 28,179,558</u>	 <u>\$ 25,816,555</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

COMPARTIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

A  
Sheet # 2

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
 OPERATING FUND			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 2,006,659	\$ 2,003,988
Encumbrances Payable	A-3,A-13	509,206	699,265
Accounts Payable	A-17	14,709	14,709
Prepaid Taxes	A-20	3,084,970	415,157
Tax Overpayments	A-21	397,168	509,499
Special Improvement District Tax Prepaids	A-22	27,523	31,898
Special Improvement District Taxes Payable	A-23	273,576	237,553
County Taxes Payable	A-18	47,066	9,331
Due to State Senior Citizen and Veterans	A-6	10,512	10,512
Due to State - Other	A-25	4,213	10,985
		<u>6,375,602</u>	<u>3,942,897</u>
Reserve for Receivables and Other Assets		4,908,242	6,002,812
Fund Balance	A-1	<u>14,647,500</u>	<u>14,790,342</u>
 Total Current Fund		<u>25,931,344</u>	<u>24,736,051</u>
 GRANT FUND			
Encumbrances Payable	A-28	5,150	5,150
Due to Current Fund	A-27	43,319	151,319
Reserve for Appropriated Grants	A-29	2,157,495	886,423
Reserve for Unappropriated Grants	A-15	42,250	37,612
		<u>2,248,214</u>	<u>1,080,504</u>
 Total Grant Fund		<u>2,248,214</u>	<u>1,080,504</u>
 Total		<u><u>\$ 28,179,558</u></u>	<u><u>\$ 25,816,555</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, 2017 AND 2016

A-1

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 3,475,000	\$ 4,250,000
Miscellaneous Revenue Anticipated	A-2	14,411,126	12,997,672
Delinquent Taxes	A-2	1,490,595	610,350
Current Taxes	A-2	62,193,985	59,100,016
Non-Budget Revenue	A-2	565,719	3,267,516
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	1,040,289	618,891
Cancelation of School Taxes			165,392
Interfund Returned	A-16	51,629	
Total Revenues		<u>83,228,343</u>	<u>81,009,837</u>
Expenditures:			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	16,939,908	15,571,286
Other Expenses	A-3	15,611,444	14,404,886
Capital Improvements	A-3	1,092,000	1,212,000
Municipal Debt Service	A-3	3,433,852	4,291,188
Deferred Charges and Statutory Expenditures	A-3	3,588,114	3,844,342
Transferred to Regional School Board of Education	A-3	195,168	218,777
County Taxes	A-18	7,320,459	6,945,154
County Open Space Taxes	A-18	259,412	245,327
Due County - Added Taxes	A-18	47,066	9,331
Regional School Taxes	A-19	31,408,762	30,115,332
Interfunds Created			149,847
Total Expenditures		<u>79,896,185</u>	<u>77,007,470</u>
Excess Revenues		3,332,158	4,002,367
Adjustments to Income Before Fund Balance			
Deferred Charges to Budget of the Succeeding Year:			
Emergency Appropriation			117,600
Statutory Excess in Fund Balance		3,332,158	4,119,968
Fund Balance, Beginning of Year	A	<u>14,790,342</u>	<u>14,920,374</u>
		18,122,500	19,040,342
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	<u>3,475,000</u>	<u>4,250,000</u>
Fund Balance, End of Year	A	<u>\$ 14,647,500</u>	<u>\$ 14,790,342</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-2  
Sheet # 1

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 3,475,000		\$ 3,475,000	
Miscellaneous Revenues					
Licenses:					
Alcoholic Beverages	A-12	88,000		90,233	\$ 2,233
Other	A-12	125,000		126,562	1,562
Fees and Permits	A-12	550,000		584,416	34,416
Municipal Court - Fines and Costs	A-12	965,000		1,121,791	156,791
Interest and Costs on Taxes	A-12	128,000		212,820	84,820
Interest on Investments and Deposits	A-12	112,000		155,687	43,687
Annual Fee S.M.C.M.U.A.	A-14	30,000		30,000	
Swimming Pool Fees	A-12	144,000		128,749	(15,251)
Cablevision Fees	A-12	275,000		283,710	8,710
Energy Receipts Tax	A-12	2,812,018		2,812,018	
Consolidated Municipal Property Tax Relief Aid	A-12	56,581		56,581	
Uniform Construction Code Fees	A-12	1,231,000		1,242,500	11,500
NJ DEP Forestry/Tree Planting	A-26	30,000		30,000	
Morris County - Foote's Pond Trail	A-26	132,696		132,696	
Clean Communities	A-26		\$ 32,686	32,686	
NJDOT Pedestrian Safety	A-26	14,995		14,995	
NJDOT MLK Promenade	A-26		1,000,000	1,000,000	
NJDOT Station Improvement	A-26		50,000	50,000	
Body Armour 2016	A-26		4,999	4,999	
DWI Court Grant	A-26		2,008	2,008	
Recycling Tonnage	A-26	41,853	49,737	91,590	
NJ Distracted Driving	A-26	5,500		5,500	
TD Green Streets Grant	A-26	20,000		20,000	
Drive Sober/ get Pulled Over	A-26		5,500	5,500	
Utility Operating Surplus - Airport Utility	A-12	215,000		215,000	
Rental of Property - Leases	A-12	119,000		257,733	138,733
Police Outside Duty - Administration Fees	A-12	90,000		76,292	(13,708)
Contribution from Sewer Utility for Indirect Costs	A-12	131,000		131,726	726
Hotel/Motel Tax	A-12	620,150		635,287	15,137
Uniform Fire Safety Act	A-12	47,000		58,236	11,236
Rent Leveling Registration	A-12	90,000		79,975	(10,025)
PILOT - CVS	A-12	65,393		119,117	53,724
PILOT - Housing Authority	A-12	82,000		80,695	(1,305)
PILOT - Urban Renewal - Mill Creek	A-12	530,000		688,274	158,274
Atlantic Health Settlement	A-12	550,000		533,750	(16,250)
Anticipated Sewer Utility Operating Surplus	A-12	3,300,000		3,300,000	-
<b>Total Miscellaneous Revenues</b>	<b>A-1</b>	<b>\$12,601,186</b>	<b>\$1,144,930</b>	<b>\$14,411,126</b>	<b>\$665,010</b>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-2  
Sheet # 2

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1, A-7	\$ 1,398,060		\$ 1,490,595	\$ 92,535
		<u>17,474,246</u>	<u>\$1,144,930</u>	<u>19,376,721</u>	<u>757,545</u>
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>23,415,075</u>		<u>24,313,403</u>	<u>898,328</u>
Budget Revenues	A-3	<u>\$ 40,889,321</u>	<u>\$1,144,930</u>	43,690,124	<u>\$ 1,655,873</u>
Non-Budget Revenues	A-1			<u>565,719</u>	
				<u>\$ 44,255,843</u>	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-2  
Sheet # 3

	<u>Ref.</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collection		
Revenue from Collection	A-1, A-7	\$ 62,193,985
Allocated to Regional School and County Taxes	A-18, A-19	<u>39,035,699</u>
		23,158,286
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>1,155,117</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u><u>\$ 24,313,403</u></u>
 Miscellaneous Revenue Not Anticipated		
Public Works - Recycling		\$ 47,374
Payment in Lieu of Taxes		329,692
Towing Administration Fees		5,875
Sale of Municipal Assets		4,143
Bail and Filing Fees		1,591
EMS Recovery		2,508
Refunds and Reimbursements		18,048
Other		<u>156,488</u>
	A-1, A-4	<u><u>\$ 565,719</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-3  
Sheet # 1

<u>Appropriation</u>	<u>Appropriations</u>		<u>Expended</u>			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	\$ 281,147		\$ 10,378	
Other Expenses	46,136	46,136	38,217	\$ 6,759	1,160	
Business Administrator						
Salaries and Wages	430,594	430,594	422,782		7,812	
Other Expenses	146,980	146,980	140,516	4,184	2,280	
Senior Citizens						
Salaries and Wages	42,869	42,869	25,572		17,297	
Other Expenses	17,450	17,450	9,404	4,723	3,323	
Vital Statistics						
Salaries and Wages	106,398	106,398	104,164		2,234	
Other Expenses	13,530	13,530	5,396		8,134	
Purchasing						
Other Expenses	297,925	321,425	305,855	11,246	4,324	
Department of Public Safety						
Police						
Salaries and Wages	6,621,660	6,621,660	6,358,611	537	262,512	
Other Expenses	228,171	228,171	127,816	26,756	73,599	
Purchase Police Vehicles	150,000	150,000		134,698	15,302	
Fire						
Salaries and Wages	3,351,548	3,351,548	3,340,648		10,900	
Other Expenses	238,130	238,130	221,297	16,526	307	
Fire Truck Lease	29,000	29,000	28,813		187	
Emergency Management Services						
Salaries and Wages	5,000	5,000	3,000		2,000	
Other Expenses	6,000	6,000		3,495	2,505	
Treasurer						
Salaries and Wages	343,572	343,572	308,769		34,803	
Other Expenses	146,508	146,508	73,533	12,237	60,738	
Tax Collector						
Salaries and Wages	194,634	194,634	194,483		151	
Other Expenses	21,265	21,265	17,586	1,255	2,424	
Tax Assessor						
Salaries and Wages	110,929	110,929	110,525		404	
Other Expenses	256,064	256,064	250,571	1,205	4,288	

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-3  
Sheet # 2

<u>Appropriation</u>	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Continued)						
OPERATIONS WITHIN "CAPS" (Continued)						
Code Enforcement						
Salaries and Wages	\$ 95,000	\$ 95,000	\$ 1,726		\$ 93,274	
Other Expenses	2,600	2,600	1,250		1,350	
Department of Public Health						
Salaries and Wages	186,612	186,612	155,721		30,891	
Other Expenses	15,200	15,200	14,612	\$ 209	379	
Rent Leveling						
Salaries and Wages	96,528	96,528	89,228		7,300	
Other Expenses	2,410	2,410	63		2,347	
Animal Control						
Salaries and Wages	64,659	64,659	63,532		1,127	
Other Expenses	14,300	14,300	11,053	750	2,497	
Property Maintenance						
Salaries and Wages	308,265	308,265	291,968		16,297	
Other Expenses	6,950	6,950	1,619	780	4,551	
Zoning						
Salaries and Wages	234,195	239,195	239,195			
Other Expenses	7,460	7,460	2,446	469	4,545	
Department of Public Works						
Public Works						
Salaries and Wages	2,390,931	2,404,370	2,399,953		4,417	
Other Expenses	1,615,368	1,615,368	1,179,396	209,321	226,651	
Recycling						
Salaries and Wages	74,570	74,570	73,953		617	
Other Expenses	1,375,105	1,375,105	1,318,696	25,869	30,540	
Bus Transportation						
Salaries and Wages	21,261	21,261	20,803		458	
Other Expenses	5,000	5,000	2,087	408	2,505	
Planning						
Salaries and Wages	20,000	20,000	19,999		1	
Other Expenses	235,000	235,000	191,740	14,561	28,699	
Engineering Services and Costs						
Salaries and Wages	242,292	242,292	203,953		38,339	
Other Expenses	14,800	14,800	2,695	11,670	435	
Recreation						
Salaries and Wages	152,134	152,134	133,228		18,906	
Other Expenses	53,385	53,385	31,280	1,343	20,762	
Burnham/Cauldwell Pools						
Salaries and Wages	157,563	157,563	138,132		19,431	
Other Expenses	82,213	82,213	42,164	1,001	39,048	
Non-Departmental Appropriations						
Legal						
Salaries and Wages	105,009	105,009	105,008		1	
Other Expenses	250,000	250,000	207,388	3,188	39,424	
Municipal Prosecutor						
Other Expenses	60,000	60,000	49,000	1,001	9,999	
Insurance						
Other Expenses	800,000	800,000	677,692		122,308	
Group Hospitalization						
Other Expenses	5,077,507	5,077,507	5,011,908	640	64,959	

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-3  
Sheet # 3

<u>Appropriation</u>	<u>Appropriations</u>		<u>Expended</u>			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	\$ 24,800			
Teen Center						
Other Expenses	33,700	33,700	33,700			
Municipal Alliance						
Other Expenses	11,500	11,500	8,581		2,919	
Morris County Tourist Bureau						
Other Expenses	5,000	5,000			5,000	
Alumni Assoc. of Morris County Drug Court						
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	2,375	1,008	617	
Annual Community Family Day Festival						
Other Expenses	8,000	8,000	8,000			
Environmental Commission						
Other Expenses	4,000	4,000	1,495		2,505	
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	735,758	735,758	700,426		35,332	
Other Expenses	213,500	213,500	197,163		16,337	
Municipal Court						
Salaries and Wages	537,963	537,963	509,920		28,043	
Other Expenses	57,895	61,845	53,000	8,332	513	
Public Defender						
Other Expenses	20,000	17,000	1,709	100	15,191	
Unclassified						
Reserve for Salary Increase	402,000	402,000	42,045		359,955	
<b>Total Operation Within "CAPS"</b>	<b>29,011,921</b>	<b>29,054,810</b>	<b>26,673,407</b>	<b>506,171</b>	<b>1,875,232</b>	
Contingent	5,000	5,000	4,640		360	
<b>Total Operation Including Contingent Within "CAPS"</b>	<b>29,016,921</b>	<b>29,059,810</b>	<b>26,678,047</b>	<b>506,171</b>	<b>1,875,592</b>	
Detail:						
Salaries and Wages	16,921,469	16,939,908	16,296,446	537	642,925	
Other Expenses	12,095,452	12,119,902	10,381,601	505,634	1,232,667	

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-3  
Sheet # 4

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<b>GENERAL APPROPRIATIONS (Continued)</b>						
<b>DEFERRED CHARGES &amp; STATUTORY EXPENDITURES</b>						
Statutory Expenditures - Contributions to:						
Emergency Authorization	\$ 117,600	\$ 117,600	\$ 117,600			
Social Security System (O.A.S.I.)	660,860	617,971	593,435		\$ 24,536	
Public Employees Retirement System	798,509	798,509	798,509			
Police and Firemen's Retirement System of N.J.	2,019,734	2,019,734	2,019,734			
Consolidated Police and Firemen's Pension Fund	14,500	14,500	265		14,235	
DCRP	19,800	19,800	9,715		10,085	
<b>Total Deferred Charges and Statutory Expenditures</b>	<b>3,631,003</b>	<b>3,588,114</b>	<b>3,539,258</b>		<b>48,856</b>	
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<b>32,647,924</b>	<b>32,647,924</b>	<b>30,217,305</b>	<b>\$ 506,171</b>	<b>1,924,448</b>	
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
Free Public Library						
Direct Aid						
Other Expenses	959,592	959,592	959,591		1	
Reserve for Tax Appeals	600,000	600,000	599,218		782	
Emergency Authorization Snow Storm						
Interlocal Municipal Services Agreement	139,800	139,800	104,784		35,016	
Morris County Radio Dispatch	376,500	376,500	376,140		360	
Insurance						
Other Expenses	10,676	10,676	10,676			
Public and Private Programs Offset by Revenues:						
NJDOT MLK Promenade Chap 159	1,000,000	1,000,000	1,000,000			
NJDOT Station Improvement Chap 159	50,000	50,000	50,000			
NJDOT Pedestrian Safety	14,995	14,995	14,995			
Clean Communities -Chap159	32,686	32,686	32,686			
DWI Court Grant - Chap159	2,008	2,008	2,008			
Drive Sober/Get Pulled Over - Chap159	5,500	5,500	5,500			
Body Armor - Chap159	4,999	4,999	4,999			
NJDEP Forestry/Tree Planting	30,000	30,000	30,000			
Morris County - Foote's Pond Trail	132,696	132,696	132,696			
NJ Distracted Driving	5,500	5,500	5,500			
TD Green Streets Grant	20,000	20,000	20,000			
Recycling Tonnage Grant	91,590	91,590	91,590			
Grant Matching Funds	15,000	15,000			15,000	
<b>Total Operations - Excluded from "CAPS"</b>	<b>3,491,542</b>	<b>3,491,542</b>	<b>3,440,383</b>	<b>-</b>	<b>51,159</b>	
Detail:						
Salaries and Wages	16,921,469	16,939,908	16,296,446	537	642,925	
Other Expenses	15,586,994	15,611,444	13,821,984	505,634	1,283,826	

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

A-3  
Sheet # 5

Appropriation	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<b>CAPITAL IMPROVEMENTS</b>						
Capital Improvement Fund	\$ 1,030,000	\$ 1,030,000	\$ 1,030,000			
Computer/Office Equipment	62,000	62,000	27,913	\$ 3,035	\$ 31,052	
Total Capital Improvements	1,092,000	1,092,000	1,057,913	3,035	31,052	
<b>MUNICIPAL DEBT SERVICE</b>						
Payment of Bond Principal	2,646,500	2,646,500	2,646,491			\$ 9
Payment on Bond Anticipation Notes and Capital Note	65,000	65,000	64,000			1,000
Interest on Bonds	670,000	670,000	656,234			13,766
Interest on Notes	71,000	71,000	67,127			3,873
Total Municipal Debt Service	3,452,500	3,452,500	3,433,852			18,648
<b>TRANSFERRED TO BOARD OF EDUCATION FOR USE OF LOCAL SCHOOLS (N.J.S.A. 40:48-17.1 &amp; 17.3)</b>						
	195,168	195,168	195,168			
Total Appropriations Excluded from "CAPS"	8,231,210	8,231,210	8,127,316	3,035	82,211	18,648
Sub-Total General Appropriations	40,879,134	40,879,134	38,344,621	509,206	2,006,659	18,648
<b>RESERVE FOR UNCOLLECTED TAXES</b>						
	1,155,117	1,155,117	1,155,117			
Total General Appropriations	\$ 42,034,251	\$ 42,034,251	\$ 39,499,738	\$ 509,206	2,006,659	\$ 18,648
	<u>Ref.</u>	A-2		A	A	
Budget	A-2	\$ 40,889,321				
Appropriation by 40A:4-87	A-26	1,144,930				
		<u>\$ 42,034,251</u>				
Cash Disbursed	A-4		\$ 36,641,879			
Deferred Charges	A-24		117,600			
Reserve for Uncollected Taxes	A-2		1,155,117			
Transferred to Board of Education	A-19		195,168			
Due to Grant Fund	A-29		1,389,974			
			<u>\$ 39,499,738</u>			

TOWN OF MORRISTOWN  
TRUST FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

B

ASSETS	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	\$ 48,596	\$ 38,470
<b>OTHER TRUST FUND</b>			
Cash	B-1	4,358,873	4,047,432
Due from Restitution Receivable	B-14		3,150
		<u>4,358,873</u>	<u>4,050,582</u>
<b>EQUITABLE SHARING FUND</b>			
Cash	B-1	226,003	9,356
<b>SELF INSURANCE FUND</b>			
Cash	B-1	712,164	699,113
		<u>\$ 5,345,636</u>	<u>\$ 4,797,521</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey	B-2	\$ 61	\$ 13
Reserve for Animal Control Expenditures	B-3	48,535	38,457
		<u>48,596</u>	<u>38,470</u>
<b>OTHER TRUST FUND</b>			
Reserve for Police Forfeiture	B-5	37,936	30,886
Reserve for Unemployment Compensation	B-6	137,727	160,024
Reserve for Affordable Housing	B-7	1,476,526	1,357,912
Escrow Deposits Payable	B-8	1,187,561	1,165,877
Reserve for Recreation Programs	B-11	58,786	63,745
Miscellaneous Reserves and Deposits	B-12	1,177,445	1,070,092
Payroll Deductions Payable	B-13	239,723	202,046
Due to Current Fund	B-9	43,169	
		<u>4,358,873</u>	<u>4,050,582</u>
<b>EQUITABLE SHARING FUND</b>			
Reserve for Equitable Sharing	B-15	226,003	9,356
		<u>226,003</u>	<u>9,356</u>
<b>SELF INSURANCE FUND</b>			
Reserve for Self Insurance Expenditures	B-10	712,164	699,113
		<u>\$ 5,345,636</u>	<u>\$ 4,797,521</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

C

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	C-2	\$ 3,836,129	\$ 4,804,230
Grants Receivable	C-4	125,884	125,884
Deferred Charges to Future Taxation:			
Funded	C-5	16,094,809	18,741,300
Unfunded	C-6	<u>9,396,819</u>	<u>6,290,819</u>
 Total Assets		 <u>\$ 29,453,641</u>	 <u>\$ 29,962,233</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$ 16,094,809	\$ 18,741,300
Bond Anticipation Notes	C-9	7,228,470	6,292,470
Capital Improvement Fund	C-14	334,792	203,358
Improvement Authorizations:			
Funded	C-7	550,842	420,866
Unfunded	C-7	2,803,220	2,089,512
Contracts Payable	C-8	1,564,195	1,383,725
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	77,596	77,596
Interfund - Current	C-15	10,438	
Fund Balance	C-1	<u>779,093</u>	<u>743,220</u>
 Total Liabilities and Fund Balance		 <u>\$ 29,453,641</u>	 <u>\$ 29,962,233</u>
 Bonds and Notes Authorized But Not Issued	 C-16	 <u>\$ 2,170,000</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, 2017

C-1

	<u>Ref.</u>	
Balance, December 31, 2016	C	\$ 743,220
Increased by:		
Premium on Bond Anticipation Note Sale	C-2	<u>35,873</u>
Balance, December 31, 2017	C	<u>\$ 779,093</u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

D  
Sheet # 1

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash	D-5	\$ 992,426	\$ 1,025,539
Due from Sewer Capital Fund	D-11		2,581
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	<u>236,631</u>	<u>272,626</u>
Total Operating Fund		<u>1,229,057</u>	<u>1,300,746</u>
<b>CAPITAL FUND</b>			
Cash	D-5	2,332,573	2,287,260
Fixed Capital	D-7	68,786,889	68,786,889
Fixed Capital Authorized and Uncompleted	D-8	<u>12,201,465</u>	<u>11,531,465</u>
Total Capital Fund		<u>83,320,927</u>	<u>82,605,614</u>
		<u><u>\$ 84,549,984</u></u>	<u><u>\$ 83,906,360</u></u>

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

D  
Sheet # 2

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	D-4, D-9	\$ 120,907	\$ 73,580
Encumbrances Payable	D-10	57,510	95,263
Prepaid Sewer Fees	D-15	79,440	70,624
Reserve for Salary Increases	unchanged	10,000	10,000
Due to Current Fund	D-5	2,764	
Overpayments	D-12	7,502	7,502
Accrued Interest on Bonds and Notes	D-13	113,541	153,751
		<u>391,664</u>	<u>410,720</u>
 Reserve for Receivables	 D	 236,631	 272,626
Fund Balance	D-1	<u>600,762</u>	<u>617,400</u>
 Total Operating Fund		 <u>1,229,057</u>	 <u>1,300,746</u>
 <b>CAPITAL FUND</b>			
Serial Bonds	D-17	4,669,187	5,882,695
Bond Anticipation Notes	D-18	2,954,000	4,005,000
Improvements Authorizations			
Funded	D-22	1,058,590	1,058,029
Unfunded	D-22	663,314	665,527
Contracts Payable	D-19	197,082	19,780
Reserve for Sewer Connection Fees	D-16	990,363	1,141,265
Reserve for Amortization	D-20	70,250,723	67,986,215
Deferred Reserve for Amortization	D-21	2,196,763	1,526,763
Capital Improvement Fund	D-14	152,000	152,000
Interfund Payable - Operating Fund	D-11		2,581
Fund Balance	D-2	<u>188,905</u>	<u>165,759</u>
 Total Capital Fund		 <u>83,320,927</u>	 <u>82,605,614</u>
		 <u>\$ 84,549,984</u>	 <u>\$ 83,906,360</u>
 Bonds and Notes Authorized But Not Issued	 D-23	 <u>\$ 917,681</u>	 <u>\$ 917,681</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, 2017 AND 2016

D-1

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-3	\$ 280,000	\$ 425,000
Sewer Rents	D-3	7,959,708	8,267,021
Miscellaneous Revenue Anticipated	D-3	589,397	347,081
Miscellaneous Revenue Not Anticipated	D-3	794	745
Other Credits to Income:			
Miscellaneous	D-10	26,289	3
Unexpended Balance of Appropriation Reserves	D-9	46,801	14,601
		<u>8,902,989</u>	<u>9,054,451</u>
<b>EXPENDITURES</b>			
Operating	D-4	1,955,878	2,010,439
Capital Improvements	D-4	670,000	670,000
Debt Service	D-4	2,579,442	2,535,232
Deferred Charges and Statutory Expenditures	D-4	131,726	134,900
Interfunds Returned	D-11	2,581	
Total Expenditures		<u>5,339,627</u>	<u>5,350,571</u>
Excess Revenue		3,563,362	3,703,880
Adjustments to Income Before Fund Balance			
Anticipated Surplus Appropriated to Current Fund Budget	D-4	<u>3,300,000</u>	<u>3,225,000</u>
Statutory Excess to Fund Balance		263,362	478,880
Fund Balance, Beginning of Year	D	<u>617,400</u>	<u>563,520</u>
		880,762	1,042,400
Decreased by:			
Utilization by Sewer Operating Budget		<u>280,000</u>	<u>425,000</u>
Fund Balance, End of Year	D	<u>\$ 600,762</u>	<u>\$ 617,400</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, 2017

D-2

	<u>Ref.</u>	
Balance, December 31, 2016	D	\$ 165,759
Increased by:		
Premium on Sale of Bond Anticipation Note	D-5	26,676
		192,435
Decreased by:		
Adjustment to Contracts Payable	D-19	3,530
		3,530
Balance, December 31, 2017	D	\$ 188,905

STATEMENT OF REVENUES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

D-3

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>(Deficit) or Excess</u>
Surplus Anticipated	D-1	\$ 280,000	\$ 280,000	
Sewer User Fees	D-1, D-6	7,993,204	7,959,708	\$ (33,496)
Miscellaneous				
Sale of SREC's	D-1, D-5	120,000	110,716	(9,284)
Interest	D-1, D-5	11,000	18,383	7,383
Late Fees	D-1, D-5	25,000	31,298	6,298
Sewer Connection Fees	D-1, D-5	304,000	429,000	125,000
	D-4	\$ 8,733,204	\$ 8,829,105	\$ 95,901
Cash Receipts	D-5		\$ 7,889,084	
Prepaid Revenue Realized	D-15		70,624	
	D-1, D-6		\$ 7,959,708	
Miscellaneous Revenue Not Anticipated	D-1, D-5		\$ 794	
Interest	D-5		\$ 7,901	
Capital Interest	D-5		10,482	
			\$ 18,383	

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

D-4

	Appropriated		Expended		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>OPERATING</b>					
Salaries and Wage	\$ 776,852	\$ 776,852	\$ 663,788	\$ 113,064	
Other Expenses	637,257	637,257	629,414	7,843	
Other Sewer Expenses	541,769	541,769	541,769		
<b>Total Operating</b>	<b>1,955,878</b>	<b>1,955,878</b>	<b>1,834,971</b>	<b>120,907</b>	
<b>CAPITAL IMPROVEMENTS</b>					
Capital Improvement Fund	670,000	670,000	670,000		
<b>DEBT SERVICE</b>					
Payment of Bond Principal	1,213,600	1,213,600	1,213,508		\$ 92
Payment of Note Principal	1,051,000	1,051,000	1,051,000		
Interest on Bonds	270,000	270,000	265,031		4,969
Interest on Notes	141,000	141,000	49,903		91,097
<b>Total Debt Service</b>	<b>2,675,600</b>	<b>2,675,600</b>	<b>2,579,442</b>		<b>96,158</b>
<b>STATUTORY EXPENDITURES</b>					
Social Security System (O.A.S.I.)	131,726	131,726	131,726		
Surplus (General Budget)	3,300,000	3,300,000	3,300,000		
	<b>\$ 8,733,204</b>	<b>\$ 8,733,204</b>	<b>\$ 8,516,139</b>	<b>\$ 120,907</b>	<b>\$ 96,158</b>
	<u>Ref.</u>	D-3		D	D-1
Cash Disbursements	D-5		\$ 8,143,695		
Encumbrances Payable	D-10		57,510		
Accrued Interest on Bonds and Notes	D-13		314,934		
			<b>\$ 8,516,139</b>		

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

E

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash - Treasurer	E-5	\$ 18,802	\$ 22,768
Cash - Petty Cash Fund	E	50	50
Total Operating Fund		<u>18,852</u>	<u>22,818</u>
<b>CAPITAL FUND</b>			
Cash	E-5	88,620	117,615
Fixed Capital	E-7	62,626,686	62,626,686
Fixed Capital Authorized and Uncompleted	E-8	9,987,569	8,463,223
Due from FAA	E-9	2,229,133	2,646,718
Due from State of New Jersey	E-10	713,558	1,985,250
Due to/from Lessee		<u>62,196</u>	<u>62,196</u>
Total Capital Fund		<u>75,645,566</u>	<u>75,901,688</u>
Total Assets		<u>\$ 75,664,418</u>	<u>\$ 75,924,506</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	E-4, E-12	\$ 5,000	\$ 5,000
Fund Balance	E-1	<u>13,852</u>	<u>17,818</u>
Total Operating Fund		<u>18,852</u>	<u>22,818</u>
<b>CAPITAL FUND</b>			
Improvement Authorizations:			
Funded	E-13	662,205	2,248,107
Contracts Payable	E-16	1,974,582	2,396,586
Due to Current	E-18	60,358	60,358
Due to Lessee	E-11	227,438	
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	9,987,569	8,463,223
Fund Balance	E-2	<u>211</u>	<u>211</u>
Total Capital Fund		<u>75,645,566</u>	<u>75,901,688</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 75,664,418</u>	<u>\$ 75,924,506</u>

There were no bonds and notes authorized but not issued on December 31, 2017 and 2016.

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, 2017 AND 2016

E-1

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized			
Fund Balance Utilized	E-3	\$ 15,000	\$ 20,000
Lease Rentals	E-3	210,002	210,002
Non-Budget Revenue	E-3	1,032	830
Other Credits to Income:			
Unexpended Balance of Appropriation	E-12	5,000	4,200
 Total Revenues		 <u>231,034</u>	 <u>235,032</u>
 Expenditures			
Budget Appropriations			
Surplus Anticipated by Current Fund	E-4	215,000	215,000
Operating	E-4	5,000	5,000
 Total Expenditures		 <u>220,000</u>	 <u>220,000</u>
 Statutory Excess to Fund Balance		 11,034	 15,032
 Fund Balance, Beginning of Year	E	 <u>17,818</u>	 <u>22,786</u>
		28,852	37,818
Utilized as Anticipated Revenue	E-1, E-3	<u>15,000</u>	<u>20,000</u>
 Fund Balance, End of Year	E	 <u>\$ 13,852</u>	 <u>\$ 17,818</u>

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE  
AIRPORT UTILITY CAPITAL FUND  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

E-2

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	E	<u>\$ 211</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF REVENUES  
OPERATING FUND  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

E-3

	<u>Ref.</u>	<u>Anticipated Budget Revenues</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	E-1	\$ 15,000	\$ 15,000	
Lease Rentals	E-1	<u>205,000</u>	<u>210,002</u>	\$ 5,002
	E-4	<u>\$ 220,000</u>	<u>\$ 225,002</u>	<u>\$ 5,002</u>
Non-Budget Revenues:				
Interest Due from Capital (Net)	E-20		\$ 498	
Interest on Investments	E-5		<u>534</u>	
	E-1		<u>\$ 1,032</u>	

STATEMENT OF EXPENDITURES  
AIRPORT UTILITY OPERATING FUND  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2017

E-4

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

See accompanying notes to financial statements.

TOWN OF MORRISTOWN  
GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE BALANCE SHEETS  
REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

E

	<u>2017</u>	<u>2016</u>
Land and Land Improvements	\$ 89,382,386	\$ 89,365,044
Building and Building Improvements	19,003,824	18,550,096
Construction in Progress	252,751	
Machinery and Equipment	<u>11,488,706</u>	<u>11,019,706</u>
	<u>\$ 120,127,667</u>	<u>\$ 118,934,846</u>
 Investment in Fixed Assets	 <u>\$ 120,127,667</u>	 <u>\$ 118,934,846</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### 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, 2017 AND 2016

#### 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 group:

*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, 2017 AND 2016

#### 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 11<sup>th</sup> month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Town may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. 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, 2017 AND 2016

### 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 2017.

**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, 2017 AND 2016

#### 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, 2017 AND 2016**

**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.

# TOWN OF MORRISTOWN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### 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, 2017 and 2016 the Town's bank balances were exposed to custodial credit risk.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2017 and 2016. At December 31, 2017 and 2016, the book value of the Town's deposits were \$33,824,928 and \$31,744,128, respectively.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**2. DEPOSITS AND INVESTMENTS (continued)**

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, 2017</u>	<u>December 31, 2016</u>
Insured	\$ 500,000	\$ 500,000
Uninsured and Collateralized	<u>\$32,653,780</u>	<u>\$31,897,504</u>
	<u>\$33,153,780</u>	<u>\$ 32,397,504</u>

\$244,925 held in the Town agency account is not covered by GUDPA.

**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, 2017 and 2016, 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, 2017 AND 2016**

**3. MUNICIPAL DEBT (continued)**

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

	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued</u>		
General:		
Bonds and Notes	\$ 23,323,279	\$ 25,033,770
Sewer Utility		
Bonds and Notes	7,623,187	9,887,695
Net Debt Issued	30,946,466	34,921,465
 <u>Authorized but Not Issued</u>		
General:		
Bonds and Notes	2,170,000	
Sewer Utility:		
Bonds and Notes	917,681	917,681
Net Bonds and Notes Issued and Authorized but Not Issued	\$ 34,034,147	\$ 35,839,146

The statement of debt condition that follows is extracted from the Town's Annual Debt Statement and indicates a statutory net debt of 0.86% at December 31, 2017.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 25,493,279		\$ 25,493,279
School Debt	490,163	\$ 490,163	
Utility Debt	8,540,868	8,540,868	
Parking Authority Debt	56,135,000	56,135,000	
Total	\$ 90,659,310	\$ 65,166,031	\$ 25,493,279

The Town's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2017 as follows:

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 103,617,871
Net Debt	25,493,279
Remaining Statutory Borrowing Power	\$ 78,124,592

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**3. MUNICIPAL DEBT (continued)**

**Calculation of "Self-Liquidating Purposes" Sewer Utility per N.J.S.A. 40A:2-45**

Surplus and Cash Receipts from Fees, Rent or Other Charges for Year	\$	8,856,188
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Deductions:

Operating and Maintenance Costs	\$	2,087,604
Debt Service per Utility Operating Fund		<u>2,579,442</u>
		<u>4,667,046</u>

Excess in Revenue	\$	<u>4,189,142</u>
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As there is an excess in revenue, all Sewer Utility Debt is deductible for Debt Statement purposes.

**General Obligation Bonds**

The Town levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2017 and 2016 are as follows:

	2017	2016
<b><u>General Obligation Bonds</u></b>		
\$7,961,260 (\$18,450,000 combined issue), 2005 Refunding Bonds, due in annual installments of \$802,102 to \$874,447 through August 2019, interest at 6.50%	\$ 1,676,549	\$ 2,447,196
\$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
\$1,150,630, 2011 Refunding Bonds, due in an annual installment of \$239,260 through March 2018, interest at 3.00%	239,260	480,104
\$10,924,000, 2016 General Improvement Bonds; due in annual installments of \$515,000 to \$819,000 through 2032, interest at 2.00% to 4.00%	10,514,000	10,924,000
\$4,975,000, 2014 Refunding Bonds, due in annual installments of \$1,240,000 to \$1,275,000 through September 2019, interest at 4.00%	<u>2,515,000</u>	<u>3,740,000</u>
	<u>\$ 16,094,809</u>	<u>\$ 18,741,300</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**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, 2017 and 2016 are as follows:

	2017	2016
<b><u>Sewer Utility</u></b>		
\$6,843,105 (\$12,655,000 combined issue), 2005 Refunding Bonds, due in annual installments of \$472,897 to \$515,550 through August 2019, interest at 6.50%	\$ 988,447	\$ 1,442,799
\$2,475,000, 2009 Refunding Bonds, due in annual installments of \$490,000 to \$505,000 through March 2023, interest at 4.00% to 5.00%	2,475,000	2,475,000
\$3,234,370, 2011A Refunding Bonds, due in annual installments of \$515,740 through March 2018, interest at 3.00%	515,740	1,034,896
\$820,000, 2011B Refunding Bonds, due in annual installments of \$65,000 to \$80,000 through March 2022, interest at 3.00% to 3.25%	380,000	465,000
\$625,000, 2014 Refunding Bonds, due in an annual installment of \$155,000 through March 2019, interest at 4.00%	310,000	465,000
	\$ 4,669,187	\$ 5,882,695

The Town's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

Year	General		Sewer Utility		Total
	Principal	Interest	Principal	Interest	Interest
2018	\$ 2,796,362	\$ 549,160	\$ 1,223,637	\$ 209,829	\$ 4,784,611
2019	2,939,447	423,084	1,255,550	152,655	4,781,014
2020	850,000	284,933	575,000	89,925	1,817,642
2021	870,000	252,245	570,000	64,659	1,781,702
2022	880,000	221,345	555,000	37,806	259,151
2023-2027	3,740,000	725,450	490,000	12,250	737,700
2028-2032	4,019,000	262,428	-	-	262,428
	\$ 16,094,809	\$ 2,718,645	\$ 4,669,187	\$ 567,124	\$ 14,424,248

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**3. MUNICIPAL DEBT (continued)**

**Changes in Long-Term Municipal Debt**

The Town's long-term capital debt activity for 2017 and 2016 is as follows:

	Balance December 31, 2016	Increases	Reductions	Balance December 31, 2017	Due Within One Year
General Capital Fund Bonds Payable	\$ 18,741,300	\$ -	\$ 2,646,491	\$ 16,094,809	\$ 2,796,362
Sewer Utility Capital Fund Capital Fund Bonds Payable	\$ 5,882,695	\$ -	\$ 1,213,508	\$ 4,669,187	\$ 1,223,637
	Balance December 31, 2015	Increases	Reductions	Balance December 31, 2016	Due Within One Year
General Capital Fund Bonds Payable	\$ 11,198,920	\$ 10,924,000.00	\$ 3,381,620	\$ 18,741,300	\$ 2,646,491
Sewer Utility Capital Fund Bond Payable	\$ 7,086,074	\$ -	\$ 1,203,379	\$ 5,882,695	\$ 1,213,508

**Short-Term Debt**

The Town's short-term capital debt activity for 2017 and 2016 is as follows:

	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017
Bond Anticipation Notes				
General Capital Fund	\$ 6,292,470	\$ 1,000,000	\$ 64,000	\$ 7,228,470
Sewer Utility Capital Fund	4,005,000		1,051,000	2,954,000
Total	\$ 10,297,470	\$ 1,000,000	\$ 1,115,000	\$ 10,182,470
	Balance, December 31, 2015	Additions	Reductions	Balance, December 31, 2016
Bond Anticipation Notes				
General Capital Fund	\$ 13,763,319	\$ 6,292,470	\$ 13,763,319	\$ 6,292,470
Sewer Utility Capital Fund	4,968,261		963,261	4,005,000
Total	\$ 18,731,787	\$ 6,292,470	\$ 14,726,580	\$ 10,297,470

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**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 2017 and 2016 as follows:

	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017
Tax Anticipation Notes	\$ -	\$ -	\$ -	\$ -
	Balance, December 31, 2015	Additions	Reductions	Balance, December 31, 2016
Tax Anticipation Notes	\$ 1,000,000	\$ -	\$ 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, 2017 and 2016:

**General Fixed Assets**

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
Land and Land Improvements	\$ 89,365,044	\$ 17,342		\$ 89,382,386
Buildings and Building Improvements	18,550,096	453,728		19,003,824
Construction in Progress	-	252,751		252,751
Machinery and Equipment	11,019,706	469,000		11,488,706
	\$ 118,934,846	\$ 1,192,821	\$ -	\$ 120,127,667
	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Land and Land Improvements	\$ 88,927,410	\$ 437,634		89,365,044
Buildings and Building Improvements	18,262,062	288,034		18,550,096
Machinery and Equipment	11,998,252	834,988	\$ 1,813,534	11,019,706
	\$ 119,187,724	\$ 1,560,656	\$ 1,813,534	\$ 118,934,846

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**4. FIXED ASSETS (continued)**

**Utility Fund Fixed Assets**

The following is a summary of changes in the Utility Fund fixed assets as of December 31, 2017 and 2016:

<b>Sewer Utility Fund</b>	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2017</u>
Fixed Capital				
Treatment Facility, Sewerage System and System Improvements	\$ 68,685,507			\$ 68,685,507
Vehicle and Equipment	<u>101,382</u>			<u>101,382</u>
	<u>\$ 68,786,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,786,889</u>
 Fixed Capital Authorized and Uncompleted - Sewer Improvement	 <u>\$ 11,531,465</u>	 <u>\$ 670,000</u>	 <u>\$ -</u>	 <u>\$ 12,201,465</u>
	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2016</u>
Fixed Capital				
Treatment Facility, Sewerage System and System Improvements	\$ 68,485,507	\$ 200,000		\$ 68,685,507
Vehicle and Equipment	<u>101,382</u>			<u>101,382</u>
	<u>\$ 68,586,889</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 68,786,889</u>
 Fixed Capital Authorized and Uncompleted - Sewer Improvement	 <u>\$ 11,061,465</u>	 <u>\$ 670,000</u>	 <u>\$ 200,000</u>	 <u>\$ 11,531,465</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**4. FIXED ASSETS (continued)**

	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2017</u>
<b>Airport Utility Fund</b>				
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>\$ 8,463,223</u>	 <u>\$ 1,578,346</u>	 <u>\$ 54,000</u>	 <u>\$ 9,987,569</u>
 <b>Airport Utility Fund</b>	 Balance December 31, <u>2015</u>	 <u>Additions</u>	 <u>Reductions</u>	 Balance December 31, <u>2016</u>
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>\$ 7,295,000</u>	 <u>\$ 7,241,000</u>	 <u>\$ -</u>	 <u>\$ 8,463,223</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**5. DUE TO/FROM OTHER FUNDS**

As of December 31, 2017 and 2016, interfund receivables and payables that resulted from various interfund transactions are as follows:

	2017		2016	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Current Fund:				
Regular	\$ 160,048		\$ 211,677	
Grant		\$ 43,319		\$ 151,319
Trust Fund:				
Animal Control Fund				
Other Trust		43,169		
General Capital Fund		10,438		
Sewer Utility:				
Sewer Operating		2,764		2,581
Sewer Capital			2,581	
Airport Utility:				
Airport Capital		60,358		60,358
	\$ 160,048	\$ 160,048	\$ 214,258	\$ 214,258

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.

**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 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:

	2017		2016	
	Fund Balance December 31.	Utilized in Subsequent Year's Budget	Fund Balance December 31.	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 14,647,500	\$ 3,000,000	\$ 14,790,342	\$ 3,475,000
Sewer Utility Operating Fund				
Cash Surplus	\$ 600,762	\$ 200,000	\$ 617,400	\$ 280,000
Airport Utility Operating Fund				
Cash Surplus	\$ 13,852	\$ 13,800	\$ 17,818	\$ 15,000

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

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**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 \$3,649,216 and \$3,513,644 at December 31, 2017 and 2016 respectively. This estimate by management is unaudited.

As of December 31, 2017 and 2016, the Town has reserved \$157,860 and \$3,706, respectively to fund compensated absences in accordance with N.J.S.A. 40A:4-39.

**8. EMPLOYEE RETIREMENT SYSTEMS**

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, 2017 and 2016:

	2017	2016
Inactive plan members or beneficiaries currently receiving benefits	170,124	170,685
Inactive plan members entitled to but not yet receiving benefits	650	650
Active plan members	254,685	254,685
Total	425,459	426,020

Contributing Employers – 1,703

*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 5/7<sup>th</sup> of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

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.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

*Public Employee Retirement System (continued)*

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, 2017 and 2016 the Town's total payroll for all employees was \$16,960,771 and \$15,298,297. Total PERS covered payroll was \$6,224,937 and \$5,863,626. 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 until a 7.5% member contribution rate is reached in July 2018. The member contribution rate was 7.06% in State fiscal year 2016 and increased to 7.20% for State fiscal year 2017, commencing July 1, 2017. The phase-in of the additional incremental member contribution rate will take place in July of the 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. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Township payments to PERS for the years ending December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Total Regular Billing	\$ 760,446	\$ 737,999

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, 2017 AND 2016**

**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, 2017, the PERS reported a net pension liability of \$23,278,401,588 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 \$19,904,210 or 0.0855050533%, which was a decrease of 0.0000935764% from its proportion measured as of June 30, 2017.

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%.

At December 31, 2017 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 expended and actual experience	\$ 468,675	
Changes of assumptions	4,010,012	\$ 3,995,311
Net difference between projected and actual investment earnings on pension plan investments	135,534	
Changes in proportion	522,458	47,483
Town contributions subsequent to the measurement date	792,113	
	<u>\$ 5,928,792</u>	<u>\$ 4,042,794</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

\$792,113 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:

Year ended December 31,	Amount
2018	\$ 722,033
2019	722,033
2020	539,557
2021	(403,104)
2022	(486,634)
Total	\$ 1,093,885

*Actuarial Assumptions-* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2017	June 30, 2016
Inflation	2.25%	3.08%
Salary Increases (2012-2021)	1.65 - 4.15% Based on age	1.65 - 4.15% Based on age
Thereafter	2.65 - 5.15% Based on age	2.65 - 5.15% Based on age
Investment rate of return	7.00%	7.65%

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).

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

The actuarial assumptions used in the July 1, 2016 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 and 2016 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2017</u>		<u>June 30, 2016</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 equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Global diversified credit	5.00%	7.10%		
Credit oriented hedge funds	1.00%	6.60%		
Debt related private equity	2.00%	10.63%		
Debt related real estate	1.00%	6.61%		
Private real asset	2.50%	11.83%	2.00%	6.91%
Equity related real estate	6.25%	9.23%		
U.S. equity	30.00%	8.19%	26.00%	8.53%
Non-U.S. developed markets equity	11.50%	9.00%		
Emerging markets equity	6.50%	11.64%	6.50%	9.95%
Buyouts/venture capital	8.25%	13.08%		
Absolute return/risk mitigation	5.00%	5.51%		
Investment grade credit	10.00%	3.78%	8.00%	1.79%
Public high yield	2.50%	6.82%		
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation Indexed Bonds			1.50%	3.44%
Private Equity			9.00%	12.40%
Hedge funds/absolute returns			12.50%	4.68%
Commodities			0.50%	5.45%
Developed foreign markets			13.25%	6.83%
REIT			5.25%	5.63%
Global Debt ex US			5.00%	-0.25%
	<u>100.00%</u>		<u>100.00%</u>	

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2016 was 3.98% and as of June 30, 2017 was 5.00%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS 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:

	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS	\$ 24,692,523	\$ 19,904,210	\$ 15,914,952

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2017 and 2016 were \$28,464,239,518 and \$26,762,070,610, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2017 and 2016 was \$21,573,965,463 and \$19,857,566,387, respectively.

*Additional information*

Collective Local Group balances at June 30, 2017 are as follows:

Collective deferred outflows of resources	\$	6,424,456,842
Collective deferred inflows of resources		5,700,625,981
Collective net pension liability		23,278,401,588
 Town's Proportion		 0.0855050533%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 and 2016 was \$1,694,305,613 and \$2,830,763,540, respectively. The average of the expected remaining service lives of all plan members if 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014, respectively.

TOWN OF MORRISTOWN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

State Contribution Payable Dates

Prior to July 1, 2017 valuation, it is assumed the State will make pension contributions the June 30<sup>th</sup> following the valuation date. Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

Receivable Contributions

State contributions expected to be paid the June 30<sup>th</sup> following the valuation date. Effective with the July 1, 2017 valuation, State contributions expected to be paid in equal quarterly amounts as of September 30<sup>th</sup>, December 31<sup>st</sup>, March 31<sup>st</sup> and June 30<sup>th</sup> following the valuation date are discounted by the interest rate used at the valuation.

Local contributions expected to be paid the April 1<sup>st</sup>, following the valuation are discounted by the interest rate used at the valuation date.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Inactive plan members or beneficiaries currently receiving benefits	43,011	40,789
Inactive plan members entitled to but not yet receiving benefits	47	47
Active plan members	<u>40,789</u>	<u>45,625</u>
Total	<u>83,847</u>	<u>86,461</u>
Contributing Employers – 585		

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

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 6/7<sup>th</sup> 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, 2017 and 2016 the Town's total payroll for all employees were \$16,960,771 and \$15,298,297, respectively. Total PFRS covered payroll was \$8,738,509 and \$9,428,314. 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. Township contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

Town payments to PFRS for the years ending December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Total Regular Billing	\$ 1,897,828	\$ 2,017,293

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, 2017 AND 2016

### 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, 2017, the PFRS reported a net pension liability of \$17,167,260,198 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$39,466,760, or 0.2556457416% which was an increase of 0.0228806841% from its proportion measured as of June 30, 2016. Then pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

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 Township'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%.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

At December 31, 2017 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	\$ 256,037	
Changes of assumptions	4,866,691	\$ 6,463,501
Net difference between projected and actual investment earnings on pension plan investments	753,118	231,637
Changes in proportion	4,138,564	1,385,608
Town contributions subsequent to the measurement date	<u>2,262,512</u>	
	<u>\$ 12,276,922</u>	<u>\$ 8,080,746</u>

\$2,262,512 is reflected above as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2018	\$ 1,218,345
2019	1,974,412
2020	410,880
2021	(1,296,488)
2022	<u>(373,485)</u>
Total	<u>\$ 1,933,664</u>

*Actuarial Assumptions-* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25%	3.08%
Salary Increases (2012-2021)	2.10 - 8.98% Based on age	2.10 - 8.98% Based on age
Thereafter	3.10 - 9.98% Based on age	3.10 - 9.98% Based on age
Investment rate of return	7.00%	7.65%

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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, 2016 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 (7.00% at June 30, 2017) 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, 2017 and 2016 are summarized in the following table:

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

<u>Asset Class</u>	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>
Cash equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Global diversified credit	5.00%	7.10%		
Credit oriented hedge funds	1.00%	6.60%		
Debt related private equity	2.00%	10.63%		
Debt related real estate	1.00%	6.61%		
Private real asset	2.50%	11.83%	2.00%	6.91%
Equity related real estate	6.25%	9.23%		
U.S. equity	30.00%	8.19%	26.00%	8.53%
Non-U.S. developed markets equity	11.50%	9.00%		
Emerging markets equity	6.50%	11.64%	6.50%	9.95%
Buyouts/venture capital	8.25%	13.08%		
Absolute return/risk mitigation	5.00%	5.51%		
Investment grade credit	10.00%	3.78%	8.00%	1.79%
Public high yield	2.50%	6.82%		
Mortgages			2.00%	1.67%
High yield bonds			2.00%	4.56%
Inflation indexed bonds			1.50%	3.44%
Private equity			9.00%	12.40%
Hedge funds/absolute returns			12.50%	4.68%
Commodities			0.50%	5.45%
Developed foreign markets			13.25%	6.83%
REIT			5.25%	5.63%
Global debt ex US			5.00%	-0.25%
	<u>100.00%</u>		<u>100.00%</u>	

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**8. EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2016 was 5.55% and as of June 30, 2017 was 6.14%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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:

	At 1% Decrease (5.14%)	At Current Discount Rate (6.14%)	At 1% Increase (7.14%)
PFRS	\$ 52,000,706	\$ 39,466,760	\$ 29,168,698

*Plan Fiduciary Net Position* – The plan fiduciary net position for PFRS at June 30, 2017 and 2016 was \$25,847,718,399 and \$23,984,726,664, respectively.

*Additional information*

Collective Local Group balances at June 30, 2017 are as follows:

Collective deferred outflows of resources	\$	2,941,952,753
Collective deferred inflows of resources		3,262,432,093
Collective net pension liability		17,167,260,198
Town's Proportion		0.2556457416%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 and 2016 was \$1,624,455,951 and \$2,255,296,958, respectively. The average of the expected remaining service lives of all plan members if 5.59, 5.58, 5.53 and 6.17 years for 2017, 2016, 2015 and 2014, respectively.

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 8. EMPLOYEE RETIREMENT SYSTEMS (continued)

##### State Contribution Payable Dates

Prior to July 1, 2017 valuation, it is assumed the State will make pension contributions the June 30<sup>th</sup> following the valuation date. Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

Local contributions expected to be paid the April 1<sup>st</sup>, following the valuation are discounted by the interest rate used at the valuation date.

##### *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 state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of June 30, 2017 and 2016 for police and fire is 0.2556457416% and 0.2327650575%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2017 and 2016 was \$221,049 and \$143,071, respectively. The state's proportionate share of net pension liability attributable to the Township as of June 30, 2017 and 2016 was \$4,420,610 and \$3,733,880, 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:

*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, 2017 and 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557 and 36,808.

*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.

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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.

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.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**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 2017, 2016 and 2015, the Town paid \$2,531,855, \$2,426,485, and \$2,452,450, 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 2017 fiscal year.

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

The following table shows the components of the Town's annual OPEB cost for 2017, 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		2,426,485
Increase in Net OPEB Obligation		2,229,515
Net OPEB Obligation - Beginning of Year		18,689,600
Net OPEB Obligation - End of Year	\$	<u>20,919,115</u>

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**10. POST-RETIREMENT HEALTH COVERAGE (continued)**

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:

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligations
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, 2017 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expense), which is a blended rate of the expected long-term investment returns on Plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and for healthcare benefits an annual healthcare cost trend rate of 7.5% initially, reduced by increments to an ultimate rate of 5% after 6 years.

For prescription drug benefits, the initial trend rate is 8.5% for current retirees and 9% for future retirees, decreasing to 5% long-term trend rate after eight years for current retirees and nine year for future retirees. For dental benefits, the initial trend is 5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 17 years.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**11. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017 and 2016, the following deferred charge in the Current Fund existed:

	2017	2016
Emergency	\$ -	\$ 117,600

**12. RISK MANAGEMENT**

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

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

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

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

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

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

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**12. RISK MANAGEMENT (continued)**

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, 2017. 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, 2017 and 2016, the Town has \$712,164 and \$699,113, respectively, 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:

Year Ended 31-Dec	Town Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017	None	None	\$ 22,297	\$ 137,727
2016	None	None	51,950	160,024
2015	None	None	2	108,074

**13. 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, 2017. 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

## TOWN OF MORRISTOWN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 13. CONTINGENT LIABILITIES (continued)

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%.

In May 2017, the Morristown Parking Authority sold \$23,855,000 Guaranteed Parking Revenue Bonds, Series 2017, dated May 23, 2017. These bonds were issued for the current refunding of the Authority's outstanding Guaranteed Parking Revenue Bonds – Series 2007 and paying the costs and expenses incurred in connection with the issuance and delivery of the Bonds.

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

As of December 31, 2017, the outstanding debt covered by the Town Replenishment Agreement was \$56,135,000. As of March 31, 2018, 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.

#### 14. 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, 2017, the Town had no estimated arbitrage earnings due to the IRS.

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**15. PRIOR-YEAR DEFEASANCE OF DEBT**

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.

**16. 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.

As of December 31, 2017, 60 years are remaining on the transfer agreement and the remaining amount due from the transfer agreement is \$1,800,000.

**17. 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 Town's capital lease activity for 2017 and 2016 was as follows:

	2017	2016
Balance, January 1	\$ 28,813	\$ 86,440
Reductions	28,813	57,627
Balance, December 31	\$ -	\$ 28,813
Due Within One Year	\$ -	\$ 28,813

**TOWN OF MORRISTOWN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**18. 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	\$ 688,274	\$ 900,283	\$ 212,009
Payment in Lieu of Taxes - CVS	September 14, 2015	August 31, 2045	119,117	197,173	78,056
Total			<u>\$ 807,391</u>	<u>\$ 1,097,456</u>	<u>\$ 290,065</u>

**19. SUBSEQUENT EVENTS**

The Town has evaluated subsequent events occurring after December 31, 2017 through June 26, 2018, 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, 2017

A-4

	<u>Ref.</u>		<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2016	A		\$ 18,615,389	\$ 80,108
Increased by Receipts:				
Non-Budget Revenue	A-2	\$ 565,719		
Petty Cash Fund	A-5	900		
NJ Senior Citizens' and Veterans' Deductions	A-6	36,250		
Taxes Receivable	A-7	63,233,173		
Revenue Accounts Receivable	A-12	12,971,530		
Special Improvement District Taxes Receivable	A-8	579,090		
Due from Southeast Morris MUA	A-14	30,000		
Prepaid Taxes	A-20	3,084,970		
SID Prepays	A-22	27,523		
Interfunds	A-16	154,394		
Miscellaneous Receipts	A-4	4,012		
Due to Current Fund	A-27		\$ 621	
Unappropriated Grant	A-15		4,638	
Grant Receivables	A-26		332,327	
			<u>80,687,561</u>	<u>337,586</u>
			99,302,950	417,694
Decreased by Disbursements:				
2017 Budget Appropriations	A-3	36,641,879		
2016 Appropriations Reserves	A-13	1,662,964		
Petty Cash	A-5	900		
Regional School Taxes Payable	A-19	31,606,209		
County Tax Payable	A-18	7,589,202		
Tax Appeals and Overpayments	A-21	112,331		
Due to State of NJ	A-25	6,772		
Special Improvement District Taxes Payable	A-23	578,977		
Interfunds	A-16	83,143		
Appropriated Reserves	A-29		118,902	
Interfund to Current	A-27		108,621	
			<u>78,282,377</u>	<u>227,523</u>
Balance, December 31, 2017	A		<u>\$ 21,020,573</u>	<u>\$ 190,171</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF CHANGE FUNDS  
YEAR ENDED DECEMBER 31, 2017

A-5

Balance, December 31, 2016	A	\$ 250
Increased by:		
Cash Receipts	A-4	900
		1,150
Decreased by:		
Cash Disbursements	A-4	900
		900
Balance, December 31, 2017	A	\$ 250
<u>Analysis of Change Funds</u>		
Tax Collector		\$ 100
Municipal Court		100
Police		50
		50
		\$ 250

STATEMENT OF DUE TO STATE OF NEW JERSEY-SENIOR  
CITIZENS AND VETERANS' DEDUCTIONS  
YEAR ENDED DECEMBER 31, 2017

A-6

	<u>Ref</u>	
Balance, December 31, 2016	A	\$ (10,512)
Increased by:		
Senior Citizens' and Veterans' Deductions	A-7	36,250
		25,738
Decreased by:		
Cash Receipts	A-4	36,250
		36,250
Balance, December 31, 2017	A	\$ (10,512)

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY  
YEAR ENDED DECEMBER 31, 2017

A-7

Year	Balance December 31, 2016	Levy/Added Taxes	Collections		Transferred To Tax Title Liens	Canceled	Balance December 31, 2017	
			Senior Citizens' and Veterans' Deductions	2016				2017
2015	\$ 10,616				\$ 10,616			
2016	1,539,133				1,479,979	\$ 59,154		
2017		\$ 62,791,352	\$ 36,250	\$ 415,157	61,742,578	58,850	\$ 525,112	
	<u>\$ 1,549,749</u>	<u>\$ 62,791,352</u>	<u>\$ 36,250</u>	<u>\$ 415,157</u>	<u>\$ 63,233,173</u>	<u>\$ 118,004</u>	<u>\$ 525,112</u>	
<u>Ref.</u>	A	Below	A-6	A-20	A-4	A-9	Reserve	A

Analysis of 2017 Property Tax Levy	
Tax Yield	
General Purpose Tax	\$ 62,403,708
Added Taxes (RS 54:4-36.1 et seq.)	387,644
	<u>\$ 62,791,352</u>
Tax Levy	
Regional School Tax	\$ 31,408,762
County Taxes	
County Tax - General	\$ 7,320,459
Open Space Tax	259,412
Due County for Added Tax	47,066
	<u>7,626,937</u>
Local Tax for Municipal Purposes	23,415,075
Add: Additional Tax Levied	340,578
	<u>23,755,653</u>
	<u>\$ 62,791,352</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAXES RECEIVABLE A-8  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>		
Balance, December 31, 2016	A		\$ 29,457
Increased by:			
2017 District Tax Levy	A-23		615,000
			<u>644,457</u>
Decreased by:			
Prepays Applied	A-22	\$ 31,898	
Cash Receipts	A-4	<u>579,090</u>	<u>610,988</u>
Balance, December 31, 2017	A		<u>\$ 33,469</u>

STATEMENT OF TAX TITLE LIENS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>		
Balance, December 31, 2016	A		\$ 105,734
Increased by:			
Transfers from Current Year Taxes Receivable	A-7		<u>13,405</u>
Balance, December 31, 2017	A		<u>\$ 119,139</u>

STATEMENT OF DEMOLITION LIENS  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>		
Balance, December 31, 2017 and 2016	A		<u>\$ 2,946</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES - AT ASESSED VALUATIONS  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>		
Balance, December 31, 2017 and 2016	A		<u>\$ 2,193,200</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2017

A-12

	Balance Dec. 31, 2016	Accrued	Cash Receipts	Balance Dec. 31, 2017
Licenses:				
Alcoholic Beverages		\$ 90,233	\$ 90,233	
Others		126,562	126,562	
Fees and Permits		584,416	584,416	
Municipal Court - Fines and Costs	\$ 80,049	1,116,070	1,121,791	\$ 74,328
Interest on Costs on Taxes		212,820	212,820	
Interest on Investments and Deposits		155,687	155,687	
Swimming Pool Fees		128,749	128,749	
Cablevision Fees		283,710	283,710	
PILOT - Urban Renewal		80,695	80,695	
PILOT - Mill Creek		688,274	688,274	
PILOT - CVS		119,117	119,117	
Energy Receipts Tax		2,812,018	2,812,018	
Consolidated Municipal Property Tax Relief Aid		56,581	56,581	
Uniform Construction Code Fees		1,242,500	1,242,500	
Anticipated Airport Utility Operating Surplus		215,000	215,000	
Contribution from Sewer Utility for Indirect Costs		131,726	131,726	
Rental of Property - Leases		257,733	257,733	
Police Outside Duty - Administrative Fees		76,292	76,292	
Hotel/Motel Tax		635,287	635,287	
Uniform Fire Safety Act Fees		58,236	58,236	
Rent Leveling Registration		79,975	79,975	
Atlantic Health Settlement		533,750	533,750	
Anticipated Sewer Utility Operating Surplus		3,300,000	3,300,000	
	<u>\$ 80,049</u>	<u>\$ 12,985,431</u>	<u>\$ 12,991,152</u>	<u>\$ 74,328</u>
	Ref. A	Reserve		A
Cash Receipts	A-4		\$ 12,971,530	
Interfunds	A-16		19,622	
			<u>\$ 12,991,152</u>	

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF 2016 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2017

A-13  
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>
<b>SALARIES AND WAGES</b>					
Town Clerk		\$ 94	\$ 94		\$ 94
Business Administrator		45,927	45,927	\$ 45,926	1
Senior Citizens		1,609	1,609		1,609
Vital Statistics		3	3		3
Fire		4,319	4,319		4,319
Emergency Management Services		5,000	5,000		5,000
Treasurer		2,998	2,998		2,998
Tax Assessor		8	8		8
Public Health	\$ 550	17,711	18,261	550	17,711
Property Maintenance		12,490	12,490	12,000	490
Zoning		12,928	12,928		12,928
Public Works		51,846	51,846	51,000	846
Recycling		3,773	3,773		3,773
Burham/Cauldwell Pool		53	53		53
Animal Control	261	3,350	3,611	261	3,350
Planning		5,967	5,967		5,967
Engineering Services and Costs		41,039	41,039	41,000	39
Recreation		1,643	1,643		1,643
Municipal Court		3,400	3,400		3,400
Rent Leveling		267	267		267
Bus Transportation		585	585		585
Tax Collector		5	5		5
Legal		18	18		18
Uniform Construction Code		4,166	4,166		4,166
<b>Total Salaries</b>	<b>811</b>	<b>219,199</b>	<b>220,010</b>	<b>150,737</b>	<b>69,273</b>
<b>OTHER EXPENSES</b>					
Town Clerk	809	6,006	6,815	1,402	5,413
Business Administrator	8,545	1,834	18,479	17,612	867
Senior Citizens	733	27	2,110	1,212	898
Vital Statistics		4,603	4,603		4,603
Purchasing	16,794	117,386	134,180	29,391	104,789
Police	32,130	74,154	106,284	37,868	68,416
Fire	56,622	1,849	58,471	15,382	43,089
Fire Truck Lease		373	373		373
Emergency Management Services		1,448	1,448		1,448
Public Works	257,197	321,240	578,437	454,873	123,564
Engineering	32,121	5,365	37,486	31,625	5,861
Code Enforcement		2,568	2,568		2,568
Treasurer	1,848	35,500	37,348	37,131	217
Collector of Taxes	50	5,716	5,766	3,100	2,666
Tax Assessor	13,188	19,811	32,999	10,108	22,891
Legal	4,579	91,226	95,805	67,767	28,038
Municipal Prosecutor	5,000	6,000	11,000	2,500	8,500
Municipal Court	820	4,950	5,770	1,044	4,726
Ambulance Squad		30,000	30,000	30,000	-
Historical Commission		3,500	3,500		3,500
Insurance		21,715	3,665		3,665
Group Hospitalization		241,122	196,122	247	195,875
Uniform Construction Code	165	8,187	8,352	165	8,187
Public Defender		29,225	29,225	15,000	14,225
Public Health	2,225	2,592	4,817	2,225	2,592
Planning	21,281	298,322	364,603	364,603	-

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF 2016 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2017

A-13  
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	\$ 1,336	\$ 2	\$ 1,338	\$ 616	\$ 722
Recreation	305	27,840	28,145	2,460	25,685
Rent Leveling		2,910	1,560		1,560
Shade Tree Commission		3,339	3,339	15	3,324
Animal Control	538	9,035	9,573	2,238	7,335
Recycling	181,887	84,022	265,909	148,096	117,813
Environmental Commission	300	762	1,062	360	702
Municipal Alliance		11,500	11,500	8,581	2,919
Morristown Partnership		10,000	10,000	10,000	
Project Community Pride	12,400		12,400	12,400	
Teen Center	16,850		16,850	16,850	
Morris County Tourist Bureau		200	200		200
Alumi Assoc. of Morris County Drug Court		5,000	5,000		5,000
Zoning		3,460	3,460		3,460
Property Maintenance		6,928	6,928		6,928
Bus Transportation	85	3,991	4,076	107	3,969
Unclassified Reserve for Retirement and Sick Day		89,383	89,383	89,383	
Unclassified Reserve for Salary Increases		27,964	27,964	27,616	348
Contingent		1,357	1,357		1,357
Total O/E	<u>667,808</u>	<u>1,622,412</u>	<u>2,280,270</u>	<u>1,441,977</u>	<u>838,293</u>
Sub-Total	668,619	1,841,611	2,500,280	1,592,714	907,566
Statutory Expenditures					
Social Security System (O.A.S.I.)		74,593	74,593		74,593
Police and Fireman's Retirement System of NJ		39	39		39
Consolidated Police and Fireman's Pension Fund		17,244	17,244	10,749	6,495
DCRP		9,265	9,265		9,265
Reserve for Tax Appeals	23,499	18,969	42,468	17,370	25,098
Emergency Authorization - Snow Storm		549	549		549
Interlocal Municipal Services Agreement		26,090	36,040	36,005	35
Grant Matching Funds		15,000	15,000		15,000
Computer/Office Equipment	7,147	628	7,775	6,126	1,649
Total General Appropriations	<u>\$ 699,265</u>	<u>\$ 2,003,988</u>	<u>\$ 2,703,253</u>	<u>\$ 1,662,964</u>	<u>\$ 1,040,289</u>
Reference	A	A		A-4	A-1

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF DUE FROM SOUTHEAST MORRIS COUNTY MUA A-14  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 1,830,000
Decreased by:		
Cash Receipt - Anticipated Revenue	A-2,A-4	<u>30,000</u>
Balance, December 31, 2017	A	<u>\$ 1,800,000</u>

STATEMENT OF UNAPPROPRIATED GRANTS  
YEAR ENDED DECEMBER 31, 2017

A-15

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 37,612
Increased by:		
Cash Receipts	A-4	<u>4,638</u>
Balance, December 31, 2017	A	<u>\$ 42,250</u>

Analysis of Balance

Recycling Tonnage Grant		\$ 37,512
Foote's Pond Walking Path		100
Alcohol Education Rehabilitation		1,094
Clean Communities		<u>3,544</u>
		<u>\$ 42,250</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF INTERFUNDS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2017

	Ref.	Total	Grant Fund	Sewer Operating	Trust Other	Airport Capital	General Capital
Balance December 31, 2016	A	\$ 211,677	\$ 151,319			\$ 60,358	
Increased by:							
Cash Advanced	A-4	83,143		\$ 29,536	\$ 43,169		\$ 10,438
Interest	A-12	19,622	621				19,001
		<u>314,442</u>	<u>151,940</u>	<u>29,536</u>	<u>43,169</u>	<u>60,358</u>	<u>29,439</u>
Decreased by:							
Amount Paid to Current Fund	A-4	134,772	108,000	26,772			
Interest Paid to Current Fund	A-4	19,622	621				19,001
		<u>154,394</u>	<u>108,621</u>	<u>26,772</u>	<u>-</u>		<u>19,001</u>
Balance December 31, 2017 From	A	<u>\$ 160,048</u>	<u>\$ 43,319</u>	<u>\$ 2,764</u>	<u>\$ 43,169</u>	<u>\$ 60,358</u>	<u>\$ 10,438</u>

Analysis of Net Credit to Fund Balance

Interfunds Receivable:		
December 31, 2017	Above	\$ 160,048
December 31, 2016	Above	<u>211,677</u>
Net Credit	A-1	<u>\$ (51,629)</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF ACCOUNTS PAYABLE  
YEAR ENDED DECEMBER 31, 2017

A-17

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	A	\$ <u>14,709</u>

STATEMENT OF COUNTY TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2017

A-18

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 9,331
Increased by:		
Levy-Calendar Year 2017		\$ 7,320,459
2017 Open Space Tax Levy		259,412
Due County for Added Taxes		<u>47,066</u>
	A-1, A-2, A-7	<u>7,626,937</u>
		7,636,268
Decreased by:		
Cash Disbursements	A-4	<u>7,589,202</u>
Balance, December 31, 2017	A	\$ <u>47,066</u>

STATEMENT OF REGIONAL SCHOOL TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2017

A-19

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ -
Increased by:		
Transferred from Appropriations	A-3	\$ 195,168
Levy - Calendar Year 2017	A-1, A-2, A-7	<u>31,408,762</u>
		<u>31,603,930</u>
		31,603,930
Decreased by:		
Cash Disbursements	A-4	<u>31,606,209</u>
Balance, December 31, 2017	A	\$ <u>(2,279)</u>

See Independent Auditors' Report.

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF PREPAID TAXES  
YEAR ENDED DECEMBER 31, 2017

A-20

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 415,157
Increased by:		
Collection of 2018 Taxes	A-4	3,084,970
		<u>3,500,127</u>
Decreased by:		
Applied to 2017 Taxes	A-7	415,157
		<u>415,157</u>
Balance, December 31, 2017	A	<u>\$ 3,084,970</u>

STATEMENT OF TAX OVERPAYMENTS  
YEAR ENDED DECEMBER 31, 2017

A-21

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 509,499
Decreased by:		
Refunds	A-4	112,331
		<u>112,331</u>
Balance, December 31, 2017	A	<u>\$ 397,168</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF SPECIAL IMPROVEMENT DISTRICT TAX  
OVERPAYMENTS AND PREPAID  
YEAR ENDED DECEMBER 31, 2017

A-22

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 31,898
Increased by:		
Cash Receipts	A-4	<u>27,523</u>
Decreased by:		
Prepays Applied	A-8	<u>31,898</u>
Balance, December 31, 2017	A	<u><u>\$ 27,523</u></u>
Analysis of Balance:		
Prepays		<u><u>\$ 27,523</u></u>

STATEMENT OF SPECIAL IMPROVEMENTS DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2017

A-23

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 237,553
Increased by:		
2017 District Tax Levy	A-8	<u>615,000</u> 852,553
Decreased by:		
Cash Disbursements	A-4	<u>578,977</u>
Balance, December 31, 2017	A	<u><u>\$ 273,576</u></u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF DEFERRED CHARGES  
YEAR ENDED DECEMBER 31, 2017

A-24

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 117,600
Decreased by:		
Budget Appropriation	A-3	<u>117,600</u>
Balance, December 31, 2017	A	<u>\$ -</u>

STATEMENT OF DUE TO STATE OF NEW JERSEY  
YEAR ENDED DECEMBER 31, 2017

A-25

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 10,985
Decreased by:		
Cash Disbursements - Construction	A-4	<u>6,772</u>
Balance, December 31, 2017	A	<u>\$ 4,213</u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF GRANTS RECEIVABLE - GRANT FUND  
YEAR ENDED DECEMBER 31, 2017

A-26

	Balance, December 31, 2016	2017 Anticipated Revenue	Received	Balance, December 31, 2017
Re devel. Plan - Center and Coal Streets	\$ 5,193			\$ 5,193
Pocahontas/Caldwell Parks	81,428			81,428
Senior Center Improvements	1,273			1,273
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
2017 Clean Communities		\$ 32,686	\$ 32,686	
DOT Train Improvements		50,000		50,000
NJ DEP Forestry/Tree Planting		30,000		30,000
Morris County Foote's Pond Wood Trail		132,696		132,696
NJ DOT Pedestrian Safety		14,995	10,545	4,450
Recycling Tonnage Grant		91,590	91,589	1
NJ Distracted Driving		5,500		5,500
TD Green Streets Grant		20,000	20,000	
Drive Sober or Get Pulled Over		5,500		5,500
Body Armor		4,999	4,999	
DWI Court Funds		2,008	2,008	
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	150,955			150,955
NJ DOT Safe Street to Transit	28,418			28,418
NJ DOT Streetscape Phase IV	30,000		30,000	
NJ DOT Streetscape	32,500		32,500	
NJ DOT Recreation Trails Program	120,000		108,000	12,000
NJ DOT MLK Promenade		1,000,000		1,000,000
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
Pedestrian Safety, Education & Enforcement Grant	4,173			4,173
Click It or Ticket Grant	2,600			2,600
	<u>\$ 1,000,396</u>	<u>\$ 1,389,974</u>	<u>\$ 332,327</u>	<u>\$ 2,058,043</u>
Ref.	A	A-2	A-4	A

TOWN OF MORRISTOWN

STATEMENT OF DUE TO CURRENT FUND  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2017

A-27

	<u>Ref.</u>		
Balance, December 31, 2016	A		\$ 151,319
Increased by:			
Interest Income	A-4		621
			<u>151,940</u>
Decreased by:			
Cash Returned	A-4	\$ 108,000	
Interest Disbursed to Current Fund	A-4	<u>621</u>	<u>108,621</u>
Balance, December 31, 2017	A		<u><u>\$ 43,319</u></u>

STATEMENT OF ENCUMBRANCES PAYABLE  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2017

A-28

	<u>Ref.</u>		
Balance, December 31, 2017 and 2016	A		<u><u>\$ 5,150</u></u>

TOWN OF MORRISTOWN  
CURRENT FUND

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS  
GRANT FUND  
YEAR ENDED DECEMBER 31, 2017

A-29

	Balance, December 31 2016	Transferred from Budget Appropriations	Paid or Charged	Balance, December 31, 2017
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		\$ 1,988	1,672
NJ DEP - Recycling Tonnage Grant	31,848		4,273	27,575
NJ DEP - Recreational Trails Grant	12,000		7,650	4,350
Clean Communities Program - 2015	8,613			8,613
Clean Communities Program - 2016	36,362		31,388	4,974
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		1,120	12,654
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	4,715			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	22,982			22,982
Morristown Rotary	6,305			6,305
NJ DOT - South Street Phase II	62			62
NJ DOT Municipal Aid Program- Abbett Ave (II)	2,506			2,506
NJ DOT Safe Streets to Transit	28,418			28,418
NJ DOT Washington Street Phase II	32,878		11,461	21,417
NJ DOT Sussex Avenue Walking Projects	120,000			120,000
Safe Routes to School Program	31,413		31,413	-
Rutgers Mini Grant - Health	28			28
NJ DEP Forestry/Tree Planting		\$ 30,000		30,000
Morris County Foote's Pond Wood Trail		132,696		132,696
NJDOT Pedestrian Safety		14,995	10,633	4,362
NJ Distracted Driving		5,500	2,008	3,492
TD Green Streets Grant		20,000	2,825	17,175
Clean Communities		32,686		32,686
NJDOT Train Improvements		50,000		50,000
Recycling Tonnage Grant		91,590		91,590
Drive Sober or Get Pulled Over		5,500		5,500
NJDOT MLK Promenade		1,000,000		1,000,000
Body Armor		4,999		4,999
DWI Court Funds		2,008		2,008
Acquisition & Preservation - 20 Hillcrest Ave.	2,267			2,267
Drunk Driving	48,415		488	47,927
Local Aid - Corey Road	13,051			13,051
Pocahontas Dam Seepage Control	80,000			80,000
Alcohol Education Program	6,867			6,867
Alcohol Rehabilitation - 2013	1,151			1,151
Alcohol Rehabilitation - 2014	1,017			1,017
Alcohol Rehabilitation - 2016	1,753			1,753
2014 and Prior Body Armour	13,133		3,190	9,943
2015 Body Armour	5,131			5,131
2016 Body Armour	4,911			4,911
Recycling Tonnage 2014	33,483		4,857	28,626
Pedestrian Safety, Education & Enforcement	4,148		3,775	373
Coventis	5,000			5,000
Click It or Ticket	1,999		1,833	166
	<u>\$ 886,423</u>	<u>\$ 1,389,974</u>	<u>\$ 118,902</u>	<u>\$ 2,157,495</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, 2017

B-1

		Animal Control		Other		Self Insurance		Equitable Sharing
Ref.								
Balance, December 31, 2016	B	\$ 38,470		\$ 4,047,432		\$ 699,113		\$ 9,356
Increased by:								
Dog Licenses - State Fees	B-2	\$ 948						
Reserve for Animal Control	B-3	11,250						
Interfunds	B-9			\$ 3,782,461				
Interest Earned	B-6			668				
Reserve for Recreation	B-11			104,332				
Miscellaneous Reserves	B-12			3,608,364				
Affordable Housing	B-7			118,614				
Payroll Deduction Payable	B-13			8,764,649				
Restitution Receivable	B-14			3,150				
Escrow Deposits	B-8			21,684				
Police Forfeiture	B-5			7,050				
Equitable Sharing	B-15						\$ 218,904	
Claims/ Other Reimbursements	B-6, B-10					\$ 34,486		
Interest Earned on Investments	B-4	1,206						
		13,404		16,410,972		34,486		218,904
		51,874		20,458,404		733,599		228,260
Decreased by:								
Payments to Current Fund	B-4, B-6, B-9	1,206		3,762,257				
Recreation	B-11			109,291				
Other Disbursements	B-5, B-10					21,435		
Reserve for Animal Control	B-3	1,172						
Due to State of New Jersey	B-2	900						
Miscellaneous Reserves	B-12			3,501,011				
Payroll Deductions Payable	B-13			8,726,972				
Equitable Sharing	B-15						2,257	
		3,278		16,099,531		21,435		2,257
Balance, December 31, 2017	B	\$ 48,596		\$ 4,358,873		\$ 712,164		\$ 226,003

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO STATE OF NEW JERSEY  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2017

B-2

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 13
Increased by:		
Cash Receipts	B-1	948
		<u>961</u>
Decreased by:		
Cash Disbursements	B-1	900
		<u>900</u>
Balance, December 31, 2017	B	<u>\$ 61</u>

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2017

B-3

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 38,457
Increased by:		
Dog Licenses Fees Collected	B-1	11,250
		<u>49,707</u>
Decreased by:		
Cash Disbursements	B-1	1,172
		<u>1,172</u>
Balance, December 31, 2017	B	<u>\$ 48,535</u>

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO/FROM CURRENT FUND  
ANIMAL CONTROL FUND  
YEAR ENDED DECEMBER 31, 2017

B-4

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ -
Increased by:		
Interest Earned on Investments	B-1	1,206
		<u>1,206</u>
Decreased by:		
Cash Disbursements	B-1	1,206
		<u>1,206</u>
Balance, December 31, 2017	B	<u><u>\$ -</u></u>

STATEMENT OF RESERVE FOR POLICE FORFEITURE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

B-5

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 30,886
Increased by:		
Cash Receipts	B-1	7,050
		<u>7,050</u>
Balance, December 31, 2017	B	<u><u>\$ 37,936</u></u>

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>B-6</u>
Balance, December 31, 2016	B	\$ 160,024
Increased by:		
Interest Earned on Investments	B-1	668
		<u>160,692</u>
Decreased by:		
Payment to Current Fund	B-1	22,965
		<u>22,965</u>
Balance, December 31, 2017	B	<u>\$ 137,727</u>

STATEMENT OF RESERVE FOR AFFORDABLE HOUSING  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>B-7</u>
Balance, December 31, 2016	B	\$ 1,357,912
Increased by:		
Cash Receipts	B-1	118,614
		<u>118,614</u>
Balance, December 31, 2017	B	<u>\$ 1,476,526</u>

STATEMENT OF ESCROW DEPOSITS PAYABLE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>B-8</u>
Balance, December 31, 2016	B	\$ 1,165,877
Increased by:		
Escrow Deposits Received	B-1	21,684
		<u>21,684</u>
Balance, December 31, 2017	B	<u>\$ 1,187,561</u>

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF DUE TO CURRENT FUND  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

B-9

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ -
Increased by:		
Cash Receipts	B-1	3,782,461
		3,782,461
Decreased by:		
Cash Disbursed	B-1	3,739,292
		3,739,292
Balance, December 31, 2017	B	\$ 43,169

STATEMENT OF RESERVE FOR SELF-INSURANCE EXPENDITURES  
SELF INSURANCE FUND  
YEAR ENDED DECEMBER 31, 2017

B-10

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 699,113
Increased by:		
Claim Reimbursements	B-1	34,486
		733,599
Decreased by:		
Cash Disbursements	B-1	21,435
		21,435
Balance, December 31, 2017	B	\$ 712,164

Analysis of Balance

Reserve for Workers Compensation Claims	\$	627,073
Reserve for Liability Claims		85,091
		\$ 712,164

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF RESERVE FOR RECREATION PROGRAMS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

B-11

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 63,745
Increased by:		
Cash Receipts	B-1	104,332
		168,077
Decreased by:		
Cash Disbursed	B-1	109,291
Balance, December 31, 2017	B	\$ 58,786

STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

B-12

	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017
Municipal Court POAA Fees	\$ 32,932	\$ 11,670	\$ 12,722	\$ 31,880
Fire Prevention Donations	5,014			5,014
Fire Prevention Penalties	3,929	4,975		8,904
Fire Victims Relief	3,711			3,711
Fire Donations	423			423
Epstein's Project Deposits	19,035	2,635	5,270	16,400
Lease Security Deposits	28,830			28,830
Police Donations	18,194	3,600		21,794
Purchase of Police Vehicles	5,600	161,018	89,095	77,523
Outside Police Duty Fees	2,317	1,335,306	1,311,649	25,974
Outside Police Admin Fees	-	79,327	76,292	3,035
Public Works Deposits	99,326	9,876		109,202
Senior Weekend Meals Donations	623			623
Senior Center Donations	1,221	945		2,166
Jail and Cablevision Legal Reserve	1,761	1	1,114	648
Cable Purchase	1		1	
Public Defender Fees	9,972	6,591	1,591	14,972
Outside Lien Redemptions	60,384	1,011,792	1,065,837	6,339
Flexible Spending	1,141	61,922	60,618	2,445
Flexible Spending - Dependent Care		9,050	8,365	685
Bob Tracey Park Contributions	7,766	100		7,866
Reserve for Restitution	3,150			3,150
Accumulated Sick and Vacation Time	3,706	288,285	134,131	157,860
Other Reserves	7,491	1,114		8,605
Police Confiscated	11,229	1,706	389	12,546
Police Forfeiture Fund	30,086	7,851	37,937	
Public Tree Donation	750	3,450		4,200
Relocation Assistance Trust	3,000			3,000
Storm Recovery reserve	19,000	100,000		119,000
Premium on Tax Sale Deposits	689,500	506,100	696,000	499,600
Mayor Wellness		1,000		1,000
Footies Pond Trust		50		50
	<u>\$ 1,070,092</u>	<u>\$ 3,608,364</u>	<u>\$ 3,501,011</u>	<u>\$ 1,177,445</u>
	B	B-1	B-1	B

TOWN OF MORRISTOWN  
TRUST FUND

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE  
OTHER TRUST FUND  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>B-13</u>
Balance, December 31, 2016	B	\$ 202,046
Increased by:		
Receipts	B-1	<u>8,764,649</u>
		8,966,695
Decreased by:		
Disbursements	B-1	<u>8,726,972</u>
Balance, December 31, 2017	B	<u><u>\$ 239,723</u></u>

STATEMENT OF RESTITUTION RECEIVABLE  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>B-14</u>
Balance, December 31, 2016	B	\$ 3,150
Decreased by:		
Collections	B-1	<u>3,150</u>
Balance, December 31, 2017		<u><u>\$ -</u></u>

TOWN OF MORRISTOWN  
TRUST FUND

RESERVE FOR EQUITABLE SHARING FUND  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>B-15</u>
Balance, December 31, 2016	B	\$ 9,356
Increased by:		
Revenue Received	B-1	<u>218,904</u>
		228,260
Decreased by:		
Cash Disbursed	B-1	<u>2,257</u>
Balance, December 31, 2017	B	<u><u>\$ 226,003</u></u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2017

C-2

	<u>Ref.</u>		
Balance, December 31, 2016	C		\$ 4,804,230
Increased by:			
Premium on Bond Anticipation Note Sales	C-1	\$ 35,873	
Capital Improvement Fund	C-14	1,030,000	
Interfund Current	C-15	29,439	
Funding of Ordinance	C-14	250,000	
Bond Anticipation Notes Issued	C-9	<u>1,000,000</u>	
			<u>2,345,312</u>
			7,149,542
Decreased by:			
Improvement Authorizations	C-7	3,294,412	
Paid to Current Fund	C-15	<u>19,001</u>	
			<u>3,313,413</u>
Balance, December 31, 2017	C		<u><u>\$ 3,836,129</u></u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL CASH  
DECEMBER 31, 2017 AND 2016

C-3

	<u>Balance</u> December 31, 2017	<u>Balance</u> December 31, 2016
Fund Balance	\$ 779,093	\$ 743,220
Grants Receivable	(125,884)	(125,884)
Capital Improvement Fund	334,792	203,358
Reserve for Future Improvements	77,596	77,595
Reserve to Pay Debt Service	506	506
Reserve for Bond Costs	9,680	9,680
Contracts Payable	1,564,195	1,353,357
Current Interfund	10,438	
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	172,869
06-14	Various Capital Improvements	43,908
06-15	Various Capital Improvements	2,939
07-17	Acq. Of Vehicles and Equipment	966
08-20	Various Capital Improvements	92
09-25	Various Public Improvements and Acquisitions	13,922
11-09	Various Capital Improvements	6,867
12-17	Various Capital Improvements	1,175
12-33	Speedwell Development	1,298
12-35	Park Improvements Pool	5,513
13-16	Various Capital Improvements	596
23-14	Various Capital Improvements	51,922
9-15	Various Capital Improvements	182,568
05-16	Acquisition of Property	192,366
19-16	Various Capital Improvements	355,162
27-16	Acquisition of Property	15,000
17-15	Various Capital Improvements	(111,876)
17-21	Developer Contribution - Speedwell	248,775
		<u>\$ 3,836,129</u>
		<u>\$ 4,804,230</u>

See Independent Auditors' Report

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF GRANTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2017

C-4

<u>Ord. No</u>	<u>Agency</u>	<u>Balance December 31, 2017 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 TO FUTURE TAXATION - FUNDED  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Balance, December 31, 2016	C	\$ 18,741,300
Decreased by:		
2017 Budget Appropriation to Pay Serial Bonds	C-10	2,646,491
Balance, December 31, 2017	C	\$ 16,094,809

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
YEAR ENDED DECEMBER 31, 2017

C-6

		<u>Analysis of Balance December 31, 2017</u>							
<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2016</u>	<u>2017 Authorizations</u>	<u>Budget Appropriation</u>	<u>Balance December 31, 2017</u>	<u>Bond Anticipation Notes</u>	<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>	<u>Excess Funding</u>
09-34	Refunding Tax Appeals	\$ (1,651)			\$ (1,651)				\$ (1,651)
09-15	Various Capital Improvements	2,681,470		\$ 25,000	2,656,470	\$ 2,656,470			
05-16	Acquisition of Property	337,000		5,000	332,000	332,000			
19-16	Various Capital Improvements	2,795,000		27,000	2,768,000	2,768,000			
27-16	Acquisition of Property	479,000		7,000	472,000	472,000			
15-17	Various Capital Improvements		\$ 3,170,000		3,170,000	1,000,000	\$ 111,876	\$ 2,058,124	
		<u>\$ 6,290,819</u>	<u>\$ 3,170,000</u>	<u>\$ 64,000</u>	<u>\$ 9,396,819</u>	<u>\$ 7,228,470</u>	<u>\$ 111,876</u>	<u>\$ 2,058,124</u>	<u>\$ (1,651)</u>
	<u>Ref.</u>	C	C-7	C-9	C	C-9	C-3	C-7	C-3

TOWN OR MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
YEAR ENDED DECEMBER 31, 2017

C-7

Ord No.	Improvement Description	Ordinance Amount	Balance, December 31, 2016		2017 Authorizations			Balance, December 31, 2017		
			Funded	Unfunded	Deferred Charges to Future Taxation Unfunded	Capital Improvement Fund	Contracts Payable/ (Canceled)	Paid or Charged	Funded	Unfunded
05-29	Various Capital Improvements	\$ 2,610,000	\$ 276,948					\$ 104,079	\$ 172,869	
06-14	Various Capital Improvements	451,100	46,162				\$ (46,311)	48,565	43,908	
06-15	Various Capital Improvements	1,895,000	4,936					1,997	2,939	
07-17	Acquisition of Various Vehicles and Equipment	150,000	966						966	
08-20	Various Capital Improvements	1,562,000					(420)	328	92	
09-25	Various Public Improvements & Acquisitions	485,000	41,524					27,602	13,922	
10-21	Various Capital Improvements	685,000	-				(59)	59	-	
11-09	Various Capital Improvements	1,220,000	162				(115,636)	108,931	6,867	
12-17	Various Capital Improvements	1,757,000	460				(715)		1,175	
12-33	Speedwell Development	1,800,000	1,298						1,298	
12-35	Park Improvements Pool	210,000	5,513						5,513	
13-16	Various Capital Improvements	1,195,000					(110,814)	110,218	596	
23-14	Various Capital Improvements	2,600,000	26,631				(298,458)	273,167	51,922	
09-15	Various Capital Improvements	2,822,600		\$ 226,677			(213,513)	257,622	\$ 182,568	
05-16	Acquisition of Property	355,000	16,266	337,000			18,000	142,900	192,366	
19-16	Various Capital Improvements	3,795,000		1,510,835			(1,134,503)	2,290,176	355,162	
27-16	Acquisition of Property	505,000		15,000					15,000	
15-17	Various Capital Improvements	4,068,566			\$ 3,170,000	\$ 898,566		2,010,442	2,058,124	
21-17	Developer Contribution - Speedwell	250,000				250,000		1,225	248,775	
			<u>\$ 420,866</u>	<u>\$ 2,089,512</u>	<u>\$ 3,170,000</u>	<u>\$ 1,148,566</u>	<u>\$ (1,902,429)</u>	<u>\$ 5,377,311</u>	<u>\$ 550,842</u>	<u>\$ 2,803,220</u>
Ref.			C	C	C-6	C-14	C-8	Below	C	C

Cash disbursements	C-2	\$ 3,294,412
Contracts payable	C-8	2,082,899
Above		<u>\$ 5,377,311</u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CONTRACTS PAYABLE  
YEAR ENDED DECEMBER 31, 2017

C-8

	<u>Ref.</u>	
Balance, December 31, 2016	C	\$ 1,383,725
Increased by:		
Contracts Originating in 2017	C-7	2,082,899
		<hr/> 3,466,624
Decreased by:		
Contracts Cancelled in 2017	C-7	1,902,429
		<hr/> 1,902,429
Balance, December 31, 2017	C	<u><u>\$ 1,564,195</u></u>

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF BOND ANTICIPATION NOTES  
YEAR ENDED DECEMBER 31, 2017

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, 2016	Increase	Decrease	Balance, December 31, 2017
2009-15	Various Capital Improvements	9/29/2016	6/8/2018	2.25%	\$ 2,681,470		\$ 25,000	\$ 2,656,470
2016-05	Various Capital Improvements	9/29/2016	6/8/2018	2.25%	337,000		5,000	332,000
2016-19	Various Capital Improvements	11/23/2016	9/28/2018	2.25%	2,795,000		27,000	2,768,000
2016-27	Various Capital Improvements	11/23/2016	9/28/2018	2.25%	479,000		7,000	472,000
2017-15	Various Capital Improvements	11/27/2017	9/28/2018	2.25%		\$ 1,000,000		1,000,000
					<u>\$ 6,292,470</u>	<u>\$ 1,000,000</u>	<u>\$ 64,000</u>	<u>\$ 7,228,470</u>
				<u>Ref.</u>	C	C-2	C-6	C

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS  
YEAR ENDED DECEMBER 31, 2017

C-10  
Sheet #1

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2017</u>		<u>Interest Rate</u>		<u>Balance, December 31, 2016</u>	<u>Decrease</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds of 2005	2005	\$ 7,961,260	8/1/18	\$ 802,102	6.50 %	\$ 2,447,196	\$ 770,647	\$ 1,676,549	
			8/1/19	874,447	6.50				
Refunding Bonds of 2009	3/1/2009	1,150,000	3/1/19	235,000	4.00	1,150,000		1,150,000	
			3/1/20	230,000	4.25				
			3/1/21	235,000	5.00				
			3/1/22	230,000	5.00				
			3/1/23	220,000	5.00				
Refunding Bonds of 2011	6/21/2011	1,500,630	3/1/18	239,260	3.00	480,104	240,844	239,260	
Refunding Bonds of 2014	3/15/2014	4,975,000	9/15/18	1,240,000	4.00	3,740,000	1,225,000	2,515,000	
			9/15/19	1,275,000	4.00				

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF GENERAL SERIAL BONDS  
YEAR ENDED DECEMBER 31, 2017

C-10  
Sheet #2

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u> <u>December 31, 2017</u>		<u>Interest Rate</u>		<u>Balance,</u>	<u>Decrease</u>	<u>Balance,</u>
			<u>Date</u>	<u>Amount</u>			<u>December 31,</u> <u>2016</u>		<u>December 31,</u> <u>2017</u>
General Improvement Bonds of 2016	5/25/2016	\$ 10,924,000	6/1/18	\$ 515,000	3.00 %	\$ 10,924,000	\$ 410,000	\$ 10,514,000	
			6/1/19	555,000	3.00				
			6/1/20	620,000	4.00				
			6/1/21	635,000	3.00				
			6/1/22	650,000	3.00				
			6/1/23	665,000	3.00				
			6/1/24	685,000	3.00				
			6/1/25	700,000	3.00				
			6/1/26	725,000	3.00				
			6/1/27	745,000	2.00				
			6/1/28	765,000	2.00				
			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	3.00				
						<u>\$ 18,741,300</u>	<u>\$ 2,646,491</u>	<u>\$ 16,094,809</u>	
					<u>Ref.</u>	C	C-5	C	

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF RESERVE FOR REFUNDING  
BOND ISSUANCE COSTS  
YEAR ENDED DECEMBER 31, 2017

C-11

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	C	\$ <u>9,680</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT SERVICE  
YEAR ENDED DECEMBER 31, 2017

C-12

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	C	\$ <u>506</u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS  
YEAR ENDED DECEMBER 31, 2017

C-13

		Balance, December 31, 2017 and 2016
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

TOWN OF MORRISTOWN  
GENERAL CAPITAL FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2017

C-14

	<u>Ref.</u>	
Balance, December 31, 2016	C	\$ 203,358
Increased by:		
Cash Receipts	C-2	250,000
Budget Appropriation	C-2	<u>1,030,000</u>
		1,483,358
Decreased by:		
Improvement Authorizations Funded	C-7	<u>1,148,566</u>
Balance, December 31, 2017	C	<u><u>\$ 334,792</u></u>

STATEMENT OF DUE TO CURRENT FUND  
YEAR ENDED DECEMBER 31, 2017

C-15

	<u>Ref.</u>	
Balance, December 31, 2016	C	\$ -
Increased by:		
Net Funds Received	C-2	29,439
Decreased by:		
Cash Disbursements	C-2	<u>19,001</u>
Balance, December 31, 2017	C	<u><u>\$ 10,438</u></u>

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2017

C-16

<u>Ord No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2016</u>	2017 Authorizations	Bond Anticipation Notes Issued	Balance December 31, <u>2017</u>
2017-15	Various Capital Improvements	<u>\$ -</u>	<u>\$ 3,170,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,170,000</u>
		<u>Ref.</u> C	C-7	C-9	C

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CASH - SEWER TREASURER  
DECEMBER 31, 2017

D-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2016	D	\$ 1,025,539	\$ 2,287,260
Increased by Receipts:			
Consumer Accounts Receivable	D-6	\$ 7,889,084	
Reserve for Sewer Connection Fees	D-16		\$ 278,098
Anticipated Revenues:			
Sale of SREC's	D-3	110,716	
Late Fees	D-3	31,298	
Sewer Connection Fees (from Capital)	D-3	429,000	
Interest (from Capital)	D-3, D-11	10,482	
Premium on Note Sale	D-2		26,676
Capital Improvement Fund	D-14		670,000
Prepaid Sewer Fees	D-15	79,440	
Interfunds	D	2,764	
Interest on Investments	D-3, D-11	7,901	7,901
MRNA	D-3	794	
		<u>8,561,479</u>	<u>982,675</u>
Decreased by Disbursements:			
2017 Budget Appropriations	D-4	8,143,695	
2016 Budget Appropriations	D-9	26,779	
Improvement Authorizations	D-22		497,880
Encumbrances Payable	D-10	68,974	
Accrued Interest on Bonds and Notes	D-13	355,144	
Payments to Sewer Operating Fund	D-11		10,482
Reserve for Connection Fees	D-16		429,000
		<u>8,594,592</u>	<u>937,362</u>
Balance, December 31, 2017	D	<u>\$ 992,426</u>	<u>\$ 2,332,573</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF SEWER UTILITY CAPITAL CASH  
SEWER UTILITY CAPITAL FUND  
DECEMBER 31, 2017 AND 2016

D-5A

	<u>Balance</u> December 31, 2017	<u>Balance</u> December 31, 2016
Fund Balance	\$ 188,905	\$ 165,759
Contracts Payable	197,082	19,780
Reserve for Sewer Connections	990,363	1,141,266
Capital Improvement Fund	152,000	152,000
Interfund Payable		2,581
 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
06-24	Various Sewer Improvements	191
07-16	Various Sewer Improvements	2,737
08-10	Solar Energy Project (262,678)	(254,224)
10-15	Sewer Line Replacement	2,054
10-20	Facility Repairs & Improvements	2,458
11-10	Various Sewer Repairs	591
11-20	Improv. to Sewer Utility Complex 9,306	16
13-21	Various Sewer Improvements	1,806
22-14	Various Sewer Repairs 2,127	2,203
21-15	Various Sewer Improvements 24,054	377,617
26-16	Various Sewer Improvements 362,409	670,000
20-17	Various Sewer Improvements 670,000	
	<u>\$ 2,332,573</u>	<u>\$ 2,287,260</u>

STATEMENT OF CONSUMERS ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

D-6

	<u>Ref.</u>	
Balance, December 31, 2016	D	\$ 272,626
 Increased by:		
Sewer Rents Levied	Reserve	<u>7,923,713</u>
		8,196,339
 Decreased by:		
Sewer Rents Collected:		
Cash Receipts	D-5	\$ 7,889,084
Prepaid Applied	D-15	<u>70,624</u>
	D-3	<u>7,959,708</u>
Balance, December 31, 2017	D	<u>\$ 236,631</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF FIXED CAPITAL  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-7

<u>Description</u>	<u>Balance December 31, 2017 and 2016</u>
Sanitary Sewerage System	\$ 66,938,972
Sewer Line Replacement and Repairs	1,746,535
Equipment	<u>101,382</u>
	<u>\$ 68,786,889</u>

Ref.

D

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-8

<u>Or. No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2016</u>	2017 Authorizations Deferred Charges to Future Revenue	<u>Balance December 31, 2017</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
12-34	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
20-17	Various Sewer Improvements		\$ 670,000	670,000
		<u>\$ 11,531,465</u>	<u>\$ 670,000</u>	<u>\$ 12,201,465</u>

Ref.

D

D-22

D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF APPROPRIATION RESERVES -  
SEWER UTILITY OPERATING FUND D-9  
YEAR ENDED DECEMBER 31, 2017

	Balance December 31, <u>2016</u>	Modified <u>Budget</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salary and Wages	\$ 62,062	\$ 28,262		\$ 28,262
Other Expenses	<u>11,518</u>	<u>45,318</u>	<u>\$ 26,779</u>	<u>18,539</u>
	<u>\$ 73,580</u>	<u>\$ 73,580</u>	<u>\$ 26,779</u>	<u>\$ 46,801</u>
<u>Ref.</u>	D		D-5	D-1

STATEMENT OF ENCUMBRANCES PAYABLE  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017 D-10

	<u>Ref.</u>		
Balance, December 31, 2016	D		\$ 95,263
Increased by:			
Charges to 2017 Appropriations	D-4		<u>57,510</u>
			152,773
Decreased by:			
Cancelled	D-1	\$ 26,289	
Cash Disbursements	D-5	<u>68,974</u>	<u>95,263</u>
Balance, December 31, 2017	D		<u>\$ 57,510</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

D-11

STATEMENT OF INTERFUNDS  
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>Sewer Operating Fund</u>	<u>Sewer Capital Fund</u>
Balance December 31, 2016			
Due from	D	<u>\$ 2,581</u>	
Due (to)	D		<u>\$ (2,581)</u>
Increased by:			
Cash Transferred to Sewer Operating Fund	D-5	10,482	
Accrued Interest/MRNA	D-5		7,901
		<u>7,901</u>	<u>10,482</u>
Decreased by:			
Interest Income/MRNA	D-3	7,901	
Cash Receipts	D-5		10,482
		<u>7,901</u>	<u>10,482</u>
Balance December 31, 2017			
Due from	D	<u><u>\$ -</u></u>	
Due (to)	D		<u><u>\$ -</u></u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF OVERPAYMENTS -  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

D-12

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	D	<u>\$ 7,502</u>

STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

D-13

	<u>Ref.</u>	
Balance, December 31, 2016	D	\$ 153,751
Increased by:		
Budget Appropriation for:		
Interest on Bonds and Notes	D-4	<u>314,934</u>
		468,685
Decreased by:		
Cash Disbursements	D-5	<u>355,144</u>
Balance, December 31, 2017	D	<u>\$ 113,541</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CAPITAL IMPROVEMENT FUND  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-14

	<u>Ref.</u>	
Balance, December 31, 2016	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, 2017	D	\$ 152,000

STATEMENT OF PREPAID SEWER FEES  
SEWER UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

D-15

	<u>Ref.</u>	
Balance, December 31, 2016	D	\$ 70,624
Increased by:		
Cash Receipts	D-5	79,440
		150,064
Decreased by:		
Applied	D-6	70,624
		70,624
Balance, December 31, 2017	D	\$ 79,440

STATEMENT OF RESERVE FOR SEWER CONNECTION FEES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-16

	<u>Ref.</u>	
Balance, December 31, 2016	D	\$ 1,141,265
Increased by:		
Cash Receipts	D-5	278,098
		1,419,363
Decreased by:		
Realized in Operating Fund	D-5	429,000
		429,000
Balance, December 31, 2017	D	\$ 990,363

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF SERIAL BONDS -  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-17

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>		<u>Balance, December 31, 2016</u>	<u>Decrease</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds of 2005	2005	\$ 6,843,105	8/1/18	\$ 472,897	6.50 %	\$ 1,442,799	\$ 454,352	\$ 988,447	
			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		2,475,000	
			3/1/20	495,000	4.25				
			3/1/21	495,000	5.00				
			3/1/22-23	490,000	5.00				
Refunding Bonds 2011A	7/13/11	3,234,370	3/1/18	515,740	3.00 %	1,034,896	519,156	515,740	
Refunding Bonds 2011B	7/13/11	820,000	3/1/18	80,000	3.00 %	465,000	85,000	380,000	
			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	3/15/14	625,000	3/15/18	155,000	4.00 %	465,000	155,000	310,000	
			3/15/19	155,000	4.00				
						<u>\$ 5,882,695</u>	<u>\$ 1,213,508</u>	<u>\$ 4,669,187</u>	
						<u>Ref</u>	<u>D</u>	<u>D-20</u>	<u>D</u>

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF BOND ANTICIPATION NOTES  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

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, 2016</u>	<u>Decrease</u>	<u>Balance, December 31, 2017</u>
08-10	Solar Energy Project	9/16/08	06/8/18	2.25 %		\$ 962,740	\$ 962,740	
10-20	Various Sewer Facility Repairs & Improvements	06/14/11	06/8/18	2.25		617,802	9,260	\$ 608,542
11-20	Improvements to Sewer Utility Complex	06/14/12	06/8/18	2.25		1,862,068	71,000	1,791,068
11-10	Facility Repairs & Improvements	06/14/12	06/8/18	2.25		367,454	5,000	362,454
12-16	Facility Repairs & Improvements	9/7/12	06/8/18	2.25		194,936	3,000	191,936
						<u>\$ 4,005,000</u>	<u>\$ 1,051,000</u>	<u>\$ 2,954,000</u>
					<u>Ref.</u>	D	D-20	D

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-19

	<u>Ref.</u>		
Balance, December 31, 2016	D		\$ 19,780
Increased by:			
Charged to Improvement Authorizations	D-22		197,082
			216,862
Decreased by:			
Cancelled Contracts Payable	D-22	\$ 23,310	
Adjustment to Contracts Payable	D-2	(3,530)	
			19,780
Balance, December 31, 2017	D		\$ 197,082

STATEMENT OF RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-20

	<u>Ref.</u>		
Balance, December 31, 2016	D		\$ 67,986,215
Increased by:			
Paid by Budget Appropriation - BANs	D-18	1,051,000	
Paid by Budget Appropriation - Serial Bonds	D-17	1,213,508	2,264,508
Balance, December 31, 2017	D		\$ 70,250,723

TOWN OF MORRISTOWN  
SEWER UTILITY FUND

D-21

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2017 and 2016</u>	Increases	Balance December 31, <u>2017 and</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	1,515,298		1,515,298
20-17	Various Sewer Improvements		<u>\$ 670,000</u>	<u>670,000</u>
		<u>\$ 1,526,763</u>	<u>\$ 670,000</u>	<u>\$ 2,196,763</u>
	<u>Ref.</u>	D		

TOWNSHIP OF MORRISTOWN  
SEWER UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
SEWER UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

D-22

Ord. No	Improvement Description	Ordinance Amount	Balance December 31, 2016		2017 Authorization	Adjusted	Paid or Charged	Balance December 31, 2017	
			Funded	Unfunded				Funded	Unfunded
04-27/05-22	Repairs/Replacements of Sewer Lines/Equipment	\$ 934,000	\$ 1,420				\$ 1,420		
06-24	Various Sewer Improvements	400,000	191				191		
07-16	Various Sewer Improvements	224,000	2,737			\$ (1,972)	765		
08-10	Solar Energy Project	4,900,000		\$ 37,462			8,454		\$ 29,008
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		3,725	4,316		
11-20	Improvement to Sewer Complex	2,000,000		16		11,690	2,400		9,306
12-34	Sewer Complex - Supplemental	625,000		625,000					625,000
21-13	Various Sewer Improvements	1,013,000	1,806			9	1,815		
22-14	Various Sewer Repairs	210,000	2,203			9,858	9,934	\$ 2,127	
21-15	Various Sewer Improvements	670,000	377,618				353,564	24,054	
26-16	Various Sewer Improvements	670,000	670,000				307,591	362,409	
20-17	Various Sewer Improvements	670,000			\$ 670,000			670,000	
			<u>\$ 1,058,029</u>	<u>\$ 665,527</u>	<u>\$ 670,000</u>	<u>\$ 23,310</u>	<u>\$ 694,962</u>	<u>\$ 1,058,590</u>	<u>\$ 663,314</u>
	<u>Ref.</u>		D	D	D-8, D-14	D-19		D	D
					<u>Ref.</u>				
			Cash Disbursed		D-5		\$ 497,880		
			Contracts Payable		D-19		197,082		
							<u>\$ 694,962</u>		

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, 2017

<u>Ord.</u>	<u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2017 and 2016</u>
72-10/88-06		Improvements to Sanitary Sewerage System	\$ 995
08-10		Solar Energy Project	291,686
12-34		Sewer Complex Supplemental	625,000
			<u>\$ 917,681</u>
			<u>Ref. D</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF CASH - TREASURER  
YEAR ENDED DECEMBER 31, 2017

E-5

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2016	E	\$ 22,768	\$ 117,616
Increased by Receipts:			
Received from Federal Aviation Administration	E-9		\$1,483,849
Received from DM Developers	E-6	\$ 210,002	424,546
Received from State of New Jersey	E-10		1,531,755
Interest on Investments	E-3	534	498
Interest Income - Due from Airport Capital	E-20	498	
		<u>211,034</u>	<u>3,440,648</u>
		233,802	3,558,264
Decreased by Disbursements:			
Improvement Authorizations	E-13		3,469,146
Transferred to Operating	E-20		498
Transferred to Current Fund	E-19	<u>215,000</u>	
		<u>215,000</u>	<u>3,469,644</u>
Balance, December 31, 2017	E	<u>\$ 18,802</u>	<u>\$ 88,620</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

E-5a

ANALYSIS OF CAPITAL CASH  
DECEMBER 31, 2017 AND 2016

	<u>Balance,</u> <u>December 31,</u> <u>2017</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>
Fund Balance	\$ 211	\$ 211
Due from FAA	(2,229,133)	(2,646,718)
Due from State of New Jersey	(713,558)	(1,985,250)
Due to/(from) Lessee	227,438	(62,196)
Due to Current Fund	60,358	60,358
Reserve for Future Improvements	106,517	106,517
Contracts Payable	1,974,582	2,396,586
<u>Ord. No.</u>	<u>Improvement Authorizations:</u>	
		63,107
		54,000
19-13	Runway 5-23 Feasibility Phase I	54,000
30-15	Runway 5-23 Keel Rehabilitation	254,705
40-16	Runway 31 Obstruction Removal	131,000
23-17	Fuel Farm Safety and Security	276,500
	<u>\$ 88,620</u>	<u>\$ 117,615</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

E-6

Ref.

Balance, December 31, 2016		\$	-
Increased by:			
Lease Rental Accrued	Reserve		210,002
			210,002
Decreased by:			
Cash Receipts	E-5		210,002
			210,002
Balance, December 31, 2017		\$	-

STATEMENT OF FIXED CAPITAL  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-7

Balance December  
31, 2017 and 2016

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
			9,107
		\$	62,626,686
	<u>Ref.</u>		<u>E</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-8

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2016</u>	<u>2017 Authorizations Deferred Reserve for Amortization</u>	<u>Cancelled</u>	<u>Balance, December 31, 2017</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
23-17	Fuel Farm Safety and Security		\$ 276,500		276,500
24-17	Runway 23 Obstr. Removal Phase II		1,151,886		1,151,886
26-17	Environmental Assessment		149,960		149,960
		<u>\$ 8,463,223</u>	<u>\$ 1,578,346</u>	<u>\$ 54,000</u>	<u>\$ 9,987,569</u>
Ref.		E	E-13	E-15	E

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM FEDERAL AVIATION ADMINISTRATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-9

	<u>Ref.</u>	
Balance, December 31, 2016	E	\$ 2,646,718
Increased by:		
2017 Improvement Authorizations	E-13	1,171,661
		<u>3,818,379</u>
Decreased by:		
Cancellation of Funded Ordinances	E-13	105,397
Cash Receipts	E-5	1,483,849
		<u>1,589,246</u>
Balance, December 31, 2017	E	<u>\$ 2,229,133</u>

STATEMENT OF DUE FROM STATE OF NEW JERSEY  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-10

	<u>Ref.</u>	
Balance, December 31, 2016	E	\$ 1,985,250
Increased by:		
2017 Improvement Authorizations	E-13	272,468
		<u>2,257,718</u>
Decreased by:		
Reclassification	E-11	6,550
Cancellation of Funded Ordinances	E-13	5,855
Cash Receipts	E-5	1,531,755
		<u>1,544,160</u>
Balance, December 31, 2017	E	<u>\$ 713,558</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF DUE FROM/TO LESSEE  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-11

	<u>Ref.</u>		
Balance, December 31, 2016 (Due from)	E	\$	62,196
Increased by:			
Reclassification	E-10		6,550
2017 Improvement Authorizations	E-13		134,217
			202,963
Decreased by:			
Cancellation of Funded Ordinances	E-13		5,855
Cash Received	E-5		424,546
			(430,401)
Balance, December 31, 2017 (Due to)	E	\$	(227,438)

STATEMENT OF APPROPRIATION RESERVES  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

E-12

	Balance, December 31, <u>2016</u>	Balance After <u>Transfers</u>	Balance <u>Lapsed</u>
Operating:			
Other Expenses	\$ 5,000	\$ 5,000	\$ 5,000
<u>Ref.</u>	E	E	E-1

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-13

<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>	<u>Balance</u> <u>December 31,</u> <u>2016 Funded</u>	<u>Grants</u>	<u>Encumbrances</u> <u>Cancelled</u>	<u>Paid or</u> <u>Charged</u>	<u>Cancelled</u>	<u>Balance</u> <u>December 31,</u> <u>2017 Funded</u>
	Prior year Ordinances		\$ 63,107				\$ 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						
27-15	Runway 5-23 Rehabilitation	5,241,000			\$ 2,044,583	\$ 2,044,583		
30-15	Runway 5-23 Keel Rehabilitation	2,000,000	2,000,000		1	1,745,296		\$ 254,705
29-16	Rehabilitation of Taxiway B	914,671			319,171	319,171		
32-16	Runway 23 Obstruction Removal	122,552			122,552	122,552		
40-16	Runway 31 Obstruction Removal	131,000	131,000					131,000
23-17	Fuel Farm Safety and Security	276,500		\$ 276,500				276,500
24-17	Runway 23 Obstruction Removal Phase II	1,151,886		1,151,886		1,151,886		
26-17	Environmental Assessment	149,960		149,960		149,960		
			<u>\$ 2,248,107</u>	<u>\$ 1,578,346</u>	<u>\$ 2,486,307</u>	<u>\$ 5,533,448</u>	<u>\$ 117,107</u>	<u>\$ 662,205</u>
			E	E-8	E-16	Below	Below	E
	<u>Ref.</u>							
	Due from FAA	E-9		\$ 1,171,661			\$ 105,397	
	Due from NJDOT	E-10		272,468			5,855	
	Due from DM Developers	E-11		134,217			5,855	
		E-15		<u>\$ 1,578,346</u>			<u>117,107</u>	
	Cash Disbursed	E-5				\$ 3,469,146		
	Contracts Payable	E-16				2,064,302		
						<u>\$ 5,533,448</u>		

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF RESERVE FOR AMORTIZATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-14

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	E	<u>\$ 62,626,686</u>

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-15

	<u>Ref.</u>	
Balance, December 31, 2016	E	\$ 8,463,223
Increased by:		
New Projects	E-13	<u>1,578,346</u>
		10,041,569
Decreased by:		
Projects Cancelled	E-8	<u>54,000</u>
Balance, December 31, 2017	E	<u>\$ 9,987,569</u>

<u>Description</u>	Balance, December 31, <u>2017</u>
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	1,274,438
Runway 31 Obstruction Removal	131,000
Fuel Farm Safety	276,500
Environmental Assessment	149,960
	<u>\$ 9,987,569</u>

TOWN OF MORRISTOWN  
AIRPORT UTILITY FUND

STATEMENT OF CONTRACTS PAYABLE  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-16

	<u>Ref.</u>	
Balance, December 31, 2016	E	\$ 2,396,586
Increased by:		
Charges to Improvement Authorizations	E-13	2,064,302
		<u>4,460,889</u>
Decreased by:		
Cancelled	E-13	<u>2,486,307</u>
Balance, December 31, 2017	E	<u><u>\$ 1,974,582</u></u>

STATEMENT OF RESERVE FOR FUTURE IMPROVEMENTS  
AIRPORT UTILITY CAPITAL FUND  
DECEMBER 31, 2017

E-17

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	E	<u><u>\$ 106,517</u></u>

STATEMENT OF DUE TO/FROM CURRENT FUND  
AIRPORT UTILITY CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

E-18

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	E	<u><u>\$ 60,358</u></u>

TOWN OF MORRISTOWN  
STATEMENT OF DUE TO CURRENT FUND  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

E-19

	<u>Ref.</u>	
Balance, December 31, 2016	E	\$ -
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
		<u>215,000</u>
Balance, December 31, 2017	E	<u><u>\$ -</u></u>

STATEMENT OF DUE FROM AIRPORT CAPITAL  
AIRPORT UTILITY OPERATING FUND  
YEAR ENDED DECEMBER 31, 2017

E-20

Balance, December 31, 2016	E	\$ -
Increased by:		
Interest Accrued by Capital	E-3, E-5	498
		<u>498</u>
Decreased by:		
Funds Received by Operating	E-5	498
		<u>498</u>
Balance, December 31, 2017	E	<u><u>\$ -</u></u>

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

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**PART II  
GOVERNMENT AUDITING STANDARDS  
AND  
SINGLE AUDIT SECTION  
YEAR ENDED DECEMBER 31, 2017**

**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, 2017, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated June 26, 2018, 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  
June 26, 2018

*Francis M. McEnerney*

Francis M. McEnerney, CPA  
Licensed Registered Municipal Accountant, No. 539

**Report on Compliance for Each Major Federal and  
State Program and Report on Internal Control over Compliance  
and Required by the Uniform Guidance and NJ OMB Circular 15-08**

**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 and State Program**

We have audited the Town of Morristown's, County of Morris, New Jersey (the "Town") compliance with the types of compliance requirements described in the *OMB Uniform Guidance and New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on its major federal and state programs for the year ended December 31, 2017. The Town's major federal and state 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 and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal and state 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; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), 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")* and New Jersey OMB Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards and requirements, the Uniform Guidance and New Jersey OMB Circular 15-08 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 major federal and state programs 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 the major federal and state programs. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal and State 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 its major federal and state programs for the year ended December 31, 2017.

**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 its major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal and state programs and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, 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 Township's internal control over compliance.

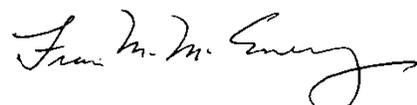
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

*PKF O'Connor Davies, LLP*

June 26, 2018  
Livingston, New Jersey



Francis M. McEnerney, CPA  
Licensed Registered Municipal Accountant, No. 539

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2017

Schedule A

Federal Funding Department and and Description	Grant Number	C.F.D.A. No.	Passed Through Entity Identifying Number	Passed Through To Sub Recipients	Award Amount	2017 Cash Received	12/31/17 Expenditures	Cumulative Expenditures
<u>US Department of Justice</u>								
Equitable Sharing	NJ0142400	16.922	Not applicable	Not applicable	\$ 1,517,373		\$ 2,257	\$ 1,510,523
Total US Department of Justice					<u>1,517,373</u>	<u>-</u>	<u>2,257</u>	<u>1,510,523</u>
<u>US Department of Transportation</u>								
<u>Airport Improvement Program:</u>								
2013 Environmental Assessment Runway 5-23	6070-100-XXX	20.106	Not applicable	Not applicable	958,356			123,239
2015 Various Capital Improvements					4,716,900			3,025,474
2015 Various Capital Improvements					823,204			535,950
2015 Runway 5-23 Rehabilitation FAA Fees 27-15					4,347,000	\$ 1,215,365	1,283,337	1,283,337
2016 Improvements Rehabilitation of Taxiway B 29-16					823,204	171,723	171,534	171,534
2016 Runway 23 Obstruction Removal 32-16					110,095	96,762	96,595	96,595
Total Airport Improvement Program					<u>11,778,759</u>	<u>1,483,849</u>	<u>1,551,466</u>	<u>5,236,129</u>
<u>Highway Planning and Construction</u>								
<u>Passed Through New Jersey Department of Transportation</u>								
Improvement to South Street (Ord 2008-20)	6320-480-AJ3	20.205	078-6320-480	Not applicable	252,000			219,563
NJ DOT Local Aid Infrastructure-Cory Road					75,918			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	108,000	31,413	120,000
Pedestrian Safety Washington Street Phase II					250,000	62,500	11,461	228,583
Total Highway Planning and Construction					<u>932,918</u>	<u>170,500</u>	<u>42,874</u>	<u>779,909</u>
<u>Highway Training and Education</u>								
<u>Passed Through New Jersey Department of Transportation</u>								
2015 Pedestrian Safety, Education and Enforcement Fund	Not available	20.215	066-1160-100	Not applicable	14,986		3,775	14,413
Total Highway Training and Education					<u>14,986</u>	<u>-</u>	<u>3,775</u>	<u>14,413</u>
<u>Highway Traffic Safety</u>								
<u>Passed Through New Jersey Department of Transportation</u>								
Distracted Driving Incentive	Not available	20.616	Not applicable	Not applicable	5,500	2,008	2,008	2,008
Total Highway Traffic Safety					<u>5,500</u>	<u>2,008</u>	<u>2,008</u>	<u>2,008</u>
<u>Occupant Protection Incentive Grants</u>								
<u>Passed Through New Jersey Department of Transportation</u>								
Click-it or Ticket	Not available	20.602	066-1160-100	Not applicable	5,000		1,833	4,834
Total Occupant Protection Incentive Grants					<u>5,000</u>	<u>-</u>	<u>1,833</u>	<u>4,834</u>
Total U.S. Department of Transportation					<u>12,762,163</u>	<u>1,656,357</u>	<u>1,601,956</u>	<u>6,055,652</u>
<b>TOTAL FEDERAL AWARDS</b>					<u>\$ 14,903,829</u>	<u>\$ 1,656,357</u>	<u>\$ 1,604,213</u>	<u>\$ 8,118,735</u>

See Notes to Schedule of Expenditures of Federal and State Awards

TOWN OF MORRISTOWN  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR FISCAL YEAR ENDED DECEMBER 31, 2017

Schedule B

State Funding Department and and Description	Grant Number	Passed Through Entity Identifying Number	Passed Through To Sub Recipients	Award Amount	2017 Cash Received	12/31/17 Expenditures	Cumulative Expenditures
<u>Department of Transportation (Airport Utility)</u>							
Airport Safety Fund	100-078-6070	Not applicable	Not applicable				
Runway 5-23 Rehabilitation FAA Fees 27-15				\$ 241,500		\$ 71,297	\$ 71,297
2015 Keel Rehabilitation Project 30-15				1,700,000	\$ 1,493,007	1,483,501	1,483,501
2016 Improvements Rehabilitation of Taxiway B 29-16				45,734	38,748	9,530	9,530
2016 Runway 23 Obstruction Removal 32-16				6,128		5,366	5,366
Total Airport Safety Fund				<u>1,993,361</u>	<u>1,531,755</u>	<u>1,569,694</u>	<u>1,576,084</u>
NJ DOT Pedestrian Safety	Not available	Not applicable	Not applicable	14,995	10,545	10,633	10,633
Department of Transportation	Not available	Not applicable	Not applicable	2,008,356	1,542,300	1,580,327	1,586,717
<u>Drunk Driving Enforcement Fund</u>							
Program year 2017	1110-448-031020-22	Not applicable	Not applicable	73,828		2,476	2,476
Total Drunk Driving Enforcement Fund				<u>73,828</u>	-	<u>2,476</u>	<u>2,476</u>
<u>Recycling Tonnage Grant</u>							
Program Year 2014	4900-752-178840-60	Not applicable	Not applicable	53,847	91,589	5,162	5,162
Program Year 2015				12,000		4,273	4,273
Total Recycling Tonnage Grant				<u>65,847</u>	<u>91,589</u>	<u>9,435</u>	<u>9,435</u>
<u>Clean Communities Grant Program</u>							
Program Year 2016	4900-765-178900	Not applicable	Not applicable	110,055	32,686	33,413	33,413
Total Clean Communities Grant Program				<u>110,055</u>	<u>32,686</u>	<u>33,413</u>	<u>33,413</u>
<u>Body Armor Replacement Fund</u>							
Program Year 2014	1020-718-0661020-001	Not applicable	Not applicable	46,935	4,999	3,190	3,190
Total Body Armor Replacement Fund				<u>46,935</u>	<u>4,999</u>	<u>3,190</u>	<u>3,190</u>
<u>Green Acres- Growth Planning Grant</u>							
Program Year 2004	Not available	Not applicable	Not applicable	20,000		2,825	2,825
Total Green Acres- Growth Planning Grant				<u>20,000</u>	-	<u>2,825</u>	<u>2,825</u>
<u>Department of Environmental Protection</u>							
NJ DEP - Recreational Trails Grant	Not available	Not applicable	Not applicable	12,000		7,650	7,650
Total Department of Environmental Protection				<u>12,000</u>	-	<u>7,650</u>	<u>7,650</u>
TOTAL STATE AWARDS				<u>\$ 2,337,021</u>	<u>\$ 1,671,574</u>	<u>\$ 1,639,316</u>	<u>\$ 1,645,706</u>

See Notes to Schedules of Expenditures of Federal and State Awards

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

**TOWN OF MORRISTOWN  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
DECEMBER 31, 2017**

**NOTE 1 GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Town of Morristown. The Town is defined in Note 1 to the financial statements. To the extent identified, the federal awards and state financial assistance that passed through other governmental agencies is included on the schedules of expenditures of federal awards and state financial assistance.

**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 Township's financial statements.

**NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedules of expenditures of federal awards and state financial assistance agree with the amounts reported in the related federal and state financial reports, where required.

**NOTE 5 INDIRECT COST RATE**

The Town has elected not to use the ten 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, 2017**

**State Financial Assistance**

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

\$750,000

Auditee qualified as low-risk auditee?                      X   Yes                                       No

Internal Control over major programs:

1) Material weakness(es) identified?                                       Yes                              X           No

2) Significant deficiency(ies) that are not  
considered to be material weakness(es)?                                       Yes                              X           No

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

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with NJ OMB Circular 15-08?

                   Yes                              X           No

Identification of major programs:

State Account Number

Name of State Program

100-078-6070

Airport Safety Fund

**TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017**

*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**

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

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**PART III**

**SUPPLEMENTARY DATA  
LETTER OF COMMENTS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2017**

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$3,475,000	4.17%	\$ 4,250,000	5.25%
Miscellaneous – From Other Than Local				
Property Tax Levies	14,411,126	17.34	12,997,672	16.04
Collection of Delinquent Taxes	1,490,595	1.79	610,350	0.75
Collection of Current Tax Levy	62,193,985	74.70	59,100,016	72.95
Non-Budget Revenue	565,719	0.68	3,267,516	4.03
Other Credits to Income	<u>1,091,918</u>	<u>1.32</u>	<u>784,283</u>	<u>0.98</u>
Total Income	<u>83,228,343</u>	<u>100.00%</u>	<u>81,009,837</u>	<u>100.00%</u>
 <b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	40,665,318	50.90%	39,322,702	51.07%
Transfer to Board of Education	195,168	0.24	218,777	0.28
County Taxes	7,626,937	9.55	7,199,812	9.35
Regional School Taxes	31,408,762	39.31	30,115,332	39.11
Other Expenditures	<u>0.00</u>	<u>0.00</u>	<u>149,847</u>	<u>0.19</u>
Total Expenditures	<u>79,896,185</u>	<u>100.00%</u>	<u>77,007,470</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	3,332,158		4,002,367	
Add: Deferred Charges			<u>117,600</u>	
Fund Balance, Beginning of Year	<u>14,790,342</u>		<u>14,920,374</u>	
	18,122,500		19,040,342	
Decreased by: Utilization as Anticipated Revenue	<u>3,475,000</u>		<u>4,250,000</u>	
Fund Balance, End of Year	<u>\$14,647,500</u>		<u>\$14,790,342</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 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 280,000	3.16%	\$ 425,000	4.70%
Sewer Rents	7,959,708	89.40	8,267,021	91.30
Miscellaneous Revenue Anticipated	589,819	6.62	347,081	3.83
Miscellaneous Revenue Not Anticipated	372	0.00	745	0.01
Other Credits to Income	<u>73,090</u>	<u>0.82</u>	<u>14,604</u>	<u>0.16</u>
Total Income	<u>8,902,989</u>	<u>100.00%</u>	<u>9,054,451</u>	<u>100.00 %</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Operating	1,955,878	36.62 %	2,010,439	37.58%
Capital Improvements	670,000	12.55	670,000	12.52
Debt Service	2,579,442	48.31	2,535,232	47.38
Def. Charges & Statutory Expenditures	131,726	2.47	134,900	2.52
Interfunds Returned	<u>2,581</u>	<u>0.05</u>	<u></u>	<u></u>
Total Expenditures	<u>5,339,627</u>	<u>100.00%</u>	<u>5,350,571</u>	<u>100.00%</u>
Excess Revenue	3,563,362		3,703,880	
Adjustment to Income Before Fund Balance Anticipated Surplus Appropriated to Current Fund Balance	<u>3,300,000</u>		<u>3,225,000</u>	
Statutory Excess in Revenue to Fund Balance	263,362		478,880	
Fund Balance, Beginning of Year	<u>617,400</u>		<u>563,520</u>	
	880,762		1,042,400	
Decreased by:				
Utilization by Sewer Operating Budget	<u>280,000</u>		<u>425,000</u>	
Fund Balance, End of Year	<u>\$ 600,762</u>		<u>\$ 617,400</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 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 15,000	6.49%	\$ 20,000	8.51%
Lease Rents	210,002	90.90	210,002	89.35
Non-Budget Revenue	1,032	0.45	830	0.35
Other Credits to Income	<u>5,000</u>	<u>2.16</u>	<u>4,200</u>	<u>1.79</u>
Total Income	<u>231,034</u>	<u>100.00%</u>	<u>235,032</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
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	226,034		230,032	
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	11,034		15,032	
Fund Balance, Beginning of Year	<u>17,818</u>		<u>22,786</u>	
	28,852		37,818	
Decreased by:				
Utilized as Anticipated Revenue	<u>15,000</u>		<u>20,000</u>	
Fund Balance, End of Year	<u>\$ 13,852</u>		<u>\$ 17,818</u>	

See Independent Auditors' Report

**TOWN OF MORRISTOWN  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.760</u>	<u>\$ 2.617</u>	<u>\$ 2.625</u>
<u>Appointment of Tax Rate</u>			
Municipal	.992	.922	1.012
County	.336	.320	.296
Library	.043	.039	.039
Regional School	1.389	1.336	1.278
<u>Assessed Valuation</u>			
2017	<u>\$2,261,731,055</u>		
2016		<u>\$ 2,254,659,255</u>	
2015			<u>\$ 2,213,302,897</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>
2017	\$ 62,791,352	\$ 62,193,985	99.04%
2016	60,719,526	59,100,016	97.33%
2015	58,142,019	57,502,687	98.90%

**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>
2017	\$ 525,112	\$ 119,139	\$ 644,251	1.02%
2016	1,549,749	105,734	1,655,483	2.80%
2015	621,434	101,767	723,201	1.26%

**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>
2017	\$ 2,193,200
2016	2,193,200
2015	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>
2017	\$7,923,713	\$7,959,708	100.45%
2016	8,567,546	8,267,766	96.50%
2015	7,936,343	8,169,556	103.00%

\* 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	2017	\$14,647,500	\$ 3,000,000
	2016	14,790,342	3,475,000
	2015	14,920,374	4,250,000
Sewer Utility Operating Fund	2017	\$ 600,762	\$ 200,000
	2016	617,400	280,000
	2015	563,520	425,000
Airport Utility Operating Fund	2017	\$ 13,852	\$ 20,000
	2016	17,818	15,000
	2015	22,786	20,000

**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		
Stefan Armington	Council Member – President		
Feldman	Council Member – Vice President		
Toshiba Foster			
Raline Smith Reid	Council Member		
Robert Iannaccone	Council Member		
Alison Deeb	Council Member		
Michelle Dupree Harris	Council Member		
Michael Elms	Council Member		
Jillian Barrick	Business Administrator		
Margot Kane	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		
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.

## **TOWN OF MORRISTOWN SUPPLEMENTARY DATA**

### **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 10, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes and sewer accounts:

BE IT FURTHER RESOLVED that the interest charged on 2017 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 NJ.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.

BE IT FURTHER RESOLVED, that the Collector is authorized to transfer amounts of \$10.00 or less to surplus per NJSA 40A:5-17.1.

BE IT FURTHER RESOLVED that the fee charged for checks returned due to insufficient funds or any other reason shall be \$20.00 per 40:5-18. That fee shall be collected first when collecting the return check amount

BE IT FURTHER RESOLVED that the fee charged for providing a duplicate bill shall be \$5.00 per NJSA 54:4-64D

BE IT FURTHER RESOLVED that the fee charged for a Tax Search shall be \$10.00 per NJSA 54:5-14 and \$2.00 for a continuation within 3 years.

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 2017. 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>
2017	3
2016	5
2015	5

**Miscellaneous**

A separate report summarizing collections of Dog License Fees and remittances of State Registration Fees was also prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

A statutory report on the operations of the Municipal Court was prepared as part of our examination and copies were filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Township Clerk.

A separate report on the operations of the Uniform Construction Code office was also prepared and filed with the New Jersey Division of Local Government Services.

## **TOWN OF MORRISTOWN SUPPLEMENTARY DATA**

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

In verifying expenditures, computations were tested on the basis of a statistical sampling of claims approved and paid. Not attempt was made in this connection to establish proof of prices or receipts of materials, these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions from employees' individual gross salaries for pensions, withholding tax, social security and other purposes was not verified as part of this examination. Remittance to authorized agencies of the amounts deducted were ascertained.

The totals of outstanding checks shown in the Cash Reconciliations appearing herein are in agreement with the records in the Office of the Township Treasurer as well as with independent verifications made part of this examination.

A copy of this report was filed with the State of New Jersey, Director of the Division of Local Government Services, Department of Community Affairs.

A summary or synopsis of this report was prepared for publication and wiled with the Township Clerk.

## **GENERAL COMMENTS**

### **Vouchers**

It was noticed that certain invoices were covered by confirming orders, which is not in accordance with the New Jersey Administrative Code.

### **Grants Receivable**

It was noted that the Grants Receivable balance in the General Capital Fund is related to ordinances dated several years back.

## **RECOMMENDATIONS**

1. The use of confirming orders should be eliminated.\*
2. The Town should consider the cancellation of the grant receivable balance and the raising of correlating amounts through the budget.

**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*

June 26, 2018  
Livingston, New Jersey

*Francis M. McEnerney*

Francis M. McEnerney, CPA  
Registered Municipal Accountant, No. 539