

CITY OF LINWOOD
ATLANTIC COUNTY
NEW JERSEY
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Linwood, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City'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 basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$159,981.49 and \$147,828.02 for 2016 and 2015 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linwood’s basic financial statements. The supplementary information listed in the table of contents, the schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), NJ OMB Circular 15-08, and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedules of expenditures of federal awards and state financial assistance, as required by the Uniform Guidance and NJ OMB Circular 15-08

is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, and the schedules of federal awards and state financial assistance, as required by the Uniform Guidance and NJ OMB Circular 15-08 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2017 on our consideration of the City of Linwood'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 City of Linwood's internal control over financial reporting and compliance.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 12, 2017

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EXHIBIT A - CURRENT FUND

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>		
	2016	2015
Regular Fund:		
Cash:		
Treasurer	\$ 1,760,464.00	1,308,270.96
Clerk	652.79	1,660.37
Traffic Control	-	631.11
Change Fund	300.00	200.00
Petty Cash	100.00	100.00
Total Cash	1,761,516.79	1,310,862.44
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	376,439.38	524,903.69
Tax Title and Other Liens	38,454.15	62,578.00
Demolition Liens Receivable	-	18,592.00
Property Acquired for Taxes - at Assessed Valuation	28,147.00	28,147.00
Sewer Rents Receivable	32,867.34	29,109.00
Revenue Accounts Receivable	6,864.96	4,183.00
Interfund Receivable:		
Animal Control	9,504.20	8,205.00
Other Trust Funds	1,959.00	1,959.00
Grant Fund	162,918.42	162,918.42
Total Receivables and Other Assets	657,154.45	840,595.11
Deferred Charges:		
Special Emergency Appropriation	40,180.00	80,360.00
Cash Deficit in Operations	-	45,201.00
Total Deferred Charges	40,180.00	125,561.00
Total Regular Fund	2,458,851.24	2,277,018.55
Federal and State Grant Fund:		
Cash	168,513.49	372,668.00
Federal and State Grants Receivable	739,461.56	1,602,370.00
Total Federal and State Grant Fund	907,975.05	1,975,038.00
Total Current Fund	\$ 3,366,826.29	4,252,056.55

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 176,477.62	200,349.33
Reserve for Encumbrances/Accounts Payable	134,820.81	111,989.99
Special Emergency Note Payable	40,180.00	80,360.00
Prepaid Taxes	260,214.40	343,769.34
Prepaid Sewer Rents	320,344.97	312,754.12
Overpaid Taxes	35,692.86	75,925.00
Overpaid Sewer Rents	3,141.53	-
Prepaid Police Detail	-	631.11
County Added Tax Payable	12,609.28	11,599.43
Due to State:		
Marriage Licenses	100.00	175.00
Construction Training Fees	1,756.00	1,937.00
Veterans and Senior Citizens	8,631.19	9,449.00
Interfund Payable:		
Public Defender Trust	989.00	989.00
	<u>994,957.66</u>	<u>1,149,928.32</u>
Reserve for Receivables and Other Assets	657,154.45	840,595.11
Fund Balance	<u>806,739.13</u>	<u>286,495.12</u>
Total Regular Fund	<u>2,458,851.24</u>	<u>2,277,018.55</u>
Federal and State Grant Fund:		
Unappropriated Reserves	1,785.37	23,434.00
Appropriated Reserves	566,876.50	1,466,433.16
Due to Current Fund	162,918.42	162,918.42
Reserve for Encumbrances	<u>176,394.76</u>	<u>322,252.42</u>
Total Federal and State Grant Fund	<u>907,975.05</u>	<u>1,975,038.00</u>
Total Current Fund	<u>\$ 3,366,826.29</u>	<u>4,252,056.55</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
Revenue and Other Income Realized		
Fund Balance	\$ 165,000.00	200,000.00
Miscellaneous Revenue Anticipated	2,635,801.69	3,754,089.69
Receipts from Delinquent Taxes	572,728.68	374,844.00
Receipts from Current Taxes	31,071,506.95	31,036,195.00
Non Budget Revenue	84,124.83	58,739.00
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	187,972.33	272,612.47
Interfund Returned	164,877.42	1.13
Total Income	34,882,011.90	35,696,481.29
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,147,719.00	3,287,316.00
Other Expenses	3,767,010.00	3,727,643.00
Deferred Charges & Statutory Expenditures	934,009.00	878,886.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,449,142.82	1,512,734.00
Capital Improvements	196,000.00	1,395,500.00
Municipal Debt Service	1,626,215.72	1,619,390.54
Local District School Debt Service	517,505.40	452,524.32
Deferred Charges	40,180.00	40,180.00
Local District School Tax	11,367,976.00	11,446,971.00
Regional District High School Tax	6,317,665.00	6,395,889.00
County Tax	4,537,270.82	4,631,816.00
County Share of Added Tax	12,609.28	11,599.43
Interfund Created	164,877.42	-
Refund of Prior Year's Revenue	118,587.43	341,233.00
Total Expenditures	34,196,767.89	35,741,682.29
Excess in Revenue	685,244.01	(45,201.00)

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Cash Deficit in Operations	-	45,201.00
Total Adjustments	-	45,201.00
Statutory Excess to Fund Balance	685,244.01	-
Fund Balance January 1	286,495.12	486,495.12
	971,739.13	486,495.12
Decreased by:		
Utilization as Anticipated Revenue	165,000.00	200,000.00
Fund Balance December 31	\$ 806,739.13	286,495.12

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 165,000.00		165,000.00	
Total Fund Balance Anticipated	<u>165,000.00</u>	<u>-</u>	<u>165,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Other	45,500.00		59,614.93	14,114.93
Fines and Costs:				
Municipal Court	65,000.00		94,272.42	29,272.42
Interest and Costs on Taxes	113,500.00		123,229.06	9,729.06
Interest Earned on Investments and Deposits	8,500.00		12,443.29	3,943.29
Sewer Use Charges	1,073,000.00		1,082,725.74	9,725.74
Parking Permits	7,800.00		8,510.00	710.00
Planning and Zoning Fees and Permits	8,000.00		4,450.00	(3,550.00)
Total Section A: Local Revenues	<u>1,321,300.00</u>	<u>-</u>	<u>1,385,245.44</u>	<u>63,945.44</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	571,608.00		571,608.00	-
Type 1 School Debt Service Aid	28,000.00		28,761.00	761.00
Total Section B: State Aid Without Offsetting Appropriations	<u>599,608.00</u>	<u>-</u>	<u>600,369.00</u>	<u>761.00</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	191,150.00		254,606.00	63,456.00
Total Section C: Uniform Construction Code Fees	<u>191,150.00</u>	<u>-</u>	<u>254,606.00</u>	<u>63,456.00</u>
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
NJ Transportation Trust Fund Authority Act	196,000.00		196,000.00	-
Drunk Driving Enforcement Fund	1,670.00		1,670.00	-
Municipal Alliance on Alcoholism and Drug Abuse	9,007.00		9,007.00	-
Recycling Tonnage	9,387.00		9,387.00	-
Body Armor Grant	1,762.00		1,762.00	-
Community Development Block Grant	15,000.00		15,000.00	-
Comcast Technology Grant	20,000.00		20,000.00	-
Clean Communities		20,678.82	20,678.82	-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	<u>252,826.00</u>	<u>20,678.82</u>	<u>273,504.82</u>	<u>-</u>
Section G: Other Special Items				
Uniform Fire Safety Act	14,674.00		18,087.80	3,413.80
Capital Surplus	50,000.00		50,000.00	-
Bell NYNEX Tower	58,000.00		53,988.63	(4,011.37)
Total Section G: Other Special Items	<u>122,674.00</u>	<u>-</u>	<u>122,076.43</u>	<u>(597.57)</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues:	2,487,558.00	20,678.82	2,635,801.69	127,564.87
Receipts from Delinquent Taxes	510,000.00		572,728.68	62,728.68
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	8,496,114.00		8,713,524.85	217,410.85
Amount for Local District Tax	489,506.00		489,506.00	-
Library Tax	321,955.00		321,955.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,307,575.00	-	9,524,985.85	217,410.85
Budget Totals	12,470,133.00	20,678.82	12,898,516.22	407,704.40
Non- Budget Revenues:				
Other Non- Budget Revenues:			84,124.83	84,124.83
	\$ 12,470,133.00	20,678.82	12,982,641.05	491,829.23

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	31,071,506.95
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Allocated to:

School, County and Other Taxes	22,235,521.10
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Balance for Support of Municipal Budget Appropriations	8,835,985.85
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	689,000.00
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Amount for Support of Municipal Budget Appropriations	<u>9,524,985.85</u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	503,975.45
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Tax Title Lien Collections	<u>68,753.23</u>
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Total Receipts from Delinquent Taxes	<u>572,728.68</u>
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Analysis of Non-Budget Revenue:

Clerk:

Clerk Copies	216.02
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Election Fees	600.00
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Other Miscellaneous:

Accident Reports and Gun Permits	1,435.05
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Administration Fees - Senior Citizens & Veterans	1,423.64
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Foreclosure Fees	27,000.00
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Insurance Reimbursements	7,977.80
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Miscellaneous	3,505.86
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Other Refunds	558.13
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Refund of Legal Fees	38,265.98
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Sales through Auction	1,832.35
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Tax Searches	60.00
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Towning Licenses	<u>1,250.00</u>
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	<u>84,124.83</u>
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Total Miscellaneous Revenue Not Anticipated:	\$	<u>84,124.83</u>
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Other Expenses	\$ 3,600.00	2,100.00	1,791.95		308.05	
Mayor and Council						
Salaries and Wages	65,935.00	65,935.00	65,239.66		695.34	
Municipal Clerk						
Salaries and Wages	132,134.00	132,134.00	131,481.78		652.22	
Other Expenses	40,950.00	40,950.00	20,580.45	5,850.32	4,519.23	10,000.00
Elections						
Other Expenses	6,500.00	6,500.00	4,206.05		2,293.95	
Financial Administration						
Salaries and Wages	69,250.00	69,250.00	69,118.10		131.90	
Other Expenses	13,000.00	14,500.00	14,070.51	188.77	240.72	
Audit Services						
Other Expenses	28,500.00	28,500.00	28,500.00		-	
Assessment of Taxes						
Salaries and Wages	31,155.00	31,155.00	31,092.96		62.04	
Other Expenses	2,780.00	2,780.00	1,763.07	60.00	956.93	
Tax Collector						
Salaries and Wages	85,275.00	85,275.00	85,165.08		109.92	
Other Expenses	15,000.00	15,000.00	12,658.07	156.19	2,185.74	
Paying Agent Fees	2,000.00	2,000.00	-		2,000.00	
Legal Services						
Other Expenses	145,000.00	135,000.00	119,447.74	4,347.20	8,205.06	3,000.00
Engineering & Planning Services						
Other Expenses						
Professional Services	10,000.00	10,000.00	8,802.00	594.00	604.00	
Public Buildings and Grounds						
Other Expenses	69,200.00	79,200.00	76,059.62	2,599.81	540.57	
Shade Tree						
Other Expenses	400.00	400.00	95.00		305.00	
INSURANCE						
General Liability	156,003.00	156,003.00	153,839.50		2,163.50	
Workers Compensation	330,342.00	330,342.00	330,342.00		-	
Employee Group Health	1,337,109.00	1,337,109.00	1,299,970.80	564.75	16,573.45	20,000.00
Employee Group Health Waiver	2,500.00	2,500.00	2,500.00		-	

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations			Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		
				Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	9,353.00	9,353.00	9,352.98		0.02	
Other Expenses	20,000.00	20,000.00	7,117.08	7,050.00	5,832.92	
Zoning Board of Adjustment						
Salaries and Wages	9,353.00	9,353.00	9,353.00		-	
Other Expenses	11,200.00	11,200.00	7,343.89	20.00	3,836.11	
PUBLIC SAFETY						
Uniform Fire Safety Act						
Salaries and Wages	9,720.00	9,720.00	9,720.00		-	
Other Expenses	4,954.00	4,954.00	4,397.62	556.00	0.38	
Fire						
Salaries and Wages	334,817.00	341,817.00	338,083.46		3,733.54	
Other Expenses						
Lease of Fire House	20.00	20.00			20.00	
Misc. Other Expenses	45,000.00	45,000.00	37,420.23	7,429.71	150.06	
Aid to Volunteer Fire Company						
Operation and Maintenance	6,000.00	6,000.00	6,000.00		-	
Police						
Salaries and Wages	1,753,791.00	1,721,791.00	1,651,983.71		19,807.29	50,000.00
Other Expenses	112,574.00	137,574.00	64,969.57	72,548.98	55.45	
Communications						
Salaries and Wages	1,794.00	1,794.00	1,794.00		-	
Other Expenses	14,692.00	14,692.00	6,994.92	7,482.86	214.22	
Emergency Management Services						
Salaries and Wages	1,010.00	1,010.00	1,010.00		-	
Other Expenses	5,000.00	5,000.00	4,299.93	23.96	676.11	
SANITATION						
Road Repairs and Maintenance						
Salaries and Wages	553,812.00	553,812.00	544,936.60		8,875.40	
Other Expenses	130,000.00	130,000.00	104,619.57	17,104.56	8,275.87	
Sewer System						

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Other Expenses						
Finance and Administration	8,236.00	8,236.00	8,236.00	-		
Operations and Maintenance	202,000.00	202,000.00	187,178.07	830.21	13,991.72	
Miscellaneous Other Expenses	140,000.00	140,000.00	136,849.61		3,150.39	
Landfill-Tipping Fees	425,000.00	425,000.00	418,787.00	6,213.00	-	
Municipal Services Act	45,000.00	45,000.00	44,659.45		340.55	
HEALTH AND HUMAN SERVICES						
Dog Warden						
Contractual	9,600.00	9,600.00	8,800.00		800.00	
Senior Citizens Center						
Other Expenses	100.00	100.00	-		100.00	
PARKS AND RECREATION FUNCTIONS						
Parks and Play Grounds						
Salaries and Wages	7,000.00	7,000.00	5,916.00		1,084.00	
Other Expenses	17,750.00	17,750.00	10,768.44		6,981.56	
Historian						
Other Expenses	500.00	500.00	480.00		20.00	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official	158,315.00	158,315.00	153,061.32		5,253.68	
Salaries and Wages	7,000.00	7,000.00	5,204.57	284.80	1,510.63	
Other Expenses						
UNCLASSIFIED						
Utilities						
Gasoline	50,000.00	34,000.00	30,427.06		572.94	3,000.00
Electric	104,000.00	104,000.00	90,298.52	134.63	13,566.85	
Telephone	35,000.00	43,000.00	42,655.83	6.55	337.62	
Natural Gas	40,000.00	40,000.00	20,609.71	30.14	9,360.15	10,000.00
Street Lighting	114,000.00	121,000.00	120,180.45		819.55	
Fire Hydrant Services	69,000.00	70,000.00	69,814.80		185.20	
Water and Sewer	6,500.00	6,500.00	4,649.05	321.37	1,529.58	
Public Access Channel 2	1,500.00	1,500.00			1,500.00	
Accumulated Leave						
Salaries and Wages	5.00	5.00			5.00	
TOTAL OPERATIONS WITHIN "CAPS"	7,010,229.00	7,010,229.00	6,624,696.78	134,397.81	155,134.41	96,000.00

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Contingent	500.00	500.00	-		500.00	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	7,010,729.00	7,010,729.00	6,624,696.78	134,397.81	155,634.41	96,000.00
Detail:						
Salaries and Wages	3,222,719.00	3,197,719.00	3,107,308.65	-	40,410.35	50,000.00
Other Expenses	3,788,010.00	3,813,010.00	3,517,388.13	134,397.81	115,224.06	46,000.00
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
Operating Deficit	45,201.00	45,201.00	45,201.00	-	-	-
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	146,370.00	147,470.00	147,467.65		2.35	
Public Employees' Retirement System ERI	31,644.00	31,644.00	31,644.00		-	
Social Security System (O.A.S.I.)	240,000.00	238,900.00	222,268.97		6,631.03	10,000.00
Police and Firemen's Retirement System	414,204.00	414,204.00	414,204.00		-	
Police and Firemen's Retirement System ERI	49,590.00	49,590.00	49,590.00		-	
Unemployment Compensation Insurance	14,000.00	14,000.00	10,511.11		3,488.89	
Defined Contribution Retirement Program	3,000.00	3,000.00	2,125.37		874.63	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	944,009.00	944,009.00	923,012.10	-	10,996.90	10,000.00
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	7,954,738.00	7,954,738.00	7,547,708.88	134,397.81	166,631.31	106,000.00

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Maintenance of Free Public Library						
Other Expenses						
Atlantic County Sewerage Authority	321,955.00	321,955.00	321,955.00	-	-	
Share of Costs	513,457.00	513,457.00	513,457.00	-	-	
City of Northfield's Share of Sewer Rents	10,230.00	10,230.00	10,230.00	-	-	
Recycling Tax	8,500.00	8,500.00	8,230.69	269.31		
Employee Group Insurance	22,797.00	22,797.00	22,797.00	-	-	
Length of Service Award Program	15,000.00	15,000.00	15,000.00	-	-	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)	6,000.00	6,000.00		6,000.00		
Streets & Roads O/E						
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc)	2,500.00	2,500.00	2,000.00	500.00		
Landfill Tipping Fees						
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)	500.00	500.00		423.00	77.00	
Municipal Clerk O/E						
Interlocal Municipal Service Agreements						
Dispatch Shared Services	324,965.00	324,965.00	324,965.00	-	-	
Emergency Medical Services	18,000.00	18,000.00	15,000.00	3,000.00		
Municipal Court Shared Services	124,731.00	124,731.00	124,731.00	-	-	
	<u>1,368,635.00</u>	<u>1,368,635.00</u>	<u>1,358,365.69</u>	<u>423.00</u>	<u>9,846.31</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance-Alcoholism and Drug Abuse						
County Share	9,007.00	9,007.00	9,007.00	-	-	
Local Share	3,003.00	3,003.00	3,003.00	-	-	
Body Armor Grant	1,762.00	1,762.00	1,762.00	-	-	
Drunk Driving Enforcement Fund	1,670.00	1,670.00	1,670.00	-	-	
Community Development Block Grant	15,000.00	15,000.00	15,000.00	-	-	
Comcast Technology Grant	20,000.00	20,000.00	20,000.00	-	-	
Clean Communities Program	-	20,678.82	20,678.82	-	-	
Recycling Tonnage Grant	9,387.00	9,387.00	9,387.00	-	-	
Total Public and Private Programs Off-Set by Revenues	<u>59,829.00</u>	<u>80,507.82</u>	<u>80,507.82</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Total Operations - Excluded from "CAPS" Detail:						
Salaries and Wages	1,428,464.00	1,449,142.82	1,438,873.51	423.00	9,846.31	-
Other Expenses	1,428,464.00	1,449,142.82	1,438,873.51	423.00	9,846.31	-
(C) Capital Improvements None						
(C) Public and Private Programs Off-Set by Revenues New Jersey Transportation Trust Fund Authority Act Reconstruction of Hamilton and Adams Streets Total Public and Private Programs Off-Set by Revenues	196,000.00 196,000.00	196,000.00 196,000.00	196,000.00 196,000.00	- -	- -	- -
Total Capital Improvements	196,000.00	196,000.00	196,000.00	-	-	-
(D) Debt Service Payment of Bond Principal Payment of Bond Anticipation Notes Interest on Bonds Interest on Notes Green Trust Loan Program: Loan Repayments for Principal and Interest NJEIT Loans & Bonds	1,204,000.00 20,000.00 257,680.00 53,601.00 18,787.00 90,177.00	1,204,000.00 20,000.00 257,680.00 53,601.00 18,787.00 90,177.00	1,204,000.00 20,000.00 257,679.26 35,586.20 18,785.73 90,164.53	- - - - - -	- - - - - -	- - 0.74 18,014.80 1.27 12.47
Total Debt Service	1,644,245.00	1,644,245.00	1,626,215.72	-	-	18,029.28
(E) Deferred Charges Special Emergency Authorizations - 5 years	40,180.00	40,180.00	40,180.00	-	-	-
Total Deferred Charges	40,180.00	40,180.00	40,180.00	-	-	-
(N) Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)	-	-	-	-	-	-

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,308,889.00	3,329,567.82	3,301,269.23	423.00	9,846.31
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"					
Type 1 District School Debt Service					
Payment of Bond Principal	331,000.00	331,000.00	331,000.00		-
Payment of Bond Anticipation Notes	55,000.00	55,000.00	55,000.00		-
Interest on Bonds	87,852.00	87,852.00	87,852.00		-
Interest on Notes	43,654.00	43,654.00	43,653.40		0.60
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	517,506.00	517,506.00	517,505.40	-	0.60
SUBTOTAL GENERAL APPROPRIATIONS	11,781,133.00	11,801,811.82	11,366,483.51	134,820.81	176,477.62
(M) Reserve for Uncollected Taxes	689,000.00	689,000.00	689,000.00		
TOTAL GENERAL APPROPRIATIONS	\$ 12,470,133.00	12,490,811.82	12,055,483.51	134,820.81	176,477.62
Budget		12,470,133.00			Cancelled
Appropriations by 40A:4-87		20,678.82			Overexpended
Emergency Appropriations		-			
		12,490,811.82			124,029.88
Reserve for Uncollected Taxes			689,000.00		
Federal and State Grants			276,507.82		
Deferred Charges			85,381.00		
Disbursements			11,004,594.69		
			12,055,483.51		124,029.88

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EXHIBIT B - TRUST FUNDS

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
<u>ASSETS</u>		
Animal Control Fund:		
Cash - Treasurer	\$ 24,925.69	24,084.03
	24,925.69	24,084.03
LOSAP (unaudited)		
Investment	159,981.49	147,828.02
	159,981.49	147,828.02
Other Funds		
Cash - Treasurer	833,004.83	565,972.28
Due from Current Fund		
Public Defender Fees	989.00	989.00
	833,993.83	566,961.28
	1,018,901.01	738,873.33
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund		
Reserve for:		
Dog Expenditures	3,841.80	4,507.80
Cat Expenditures	11,579.69	11,371.23
Due to Current Fund	9,504.20	8,205.00
	24,925.69	24,084.03
LOSAP (unaudited)		
Reserve for LOSAP	159,981.49	147,828.02
	\$ 159,981.49	147,828.02

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

**TRUST FUND
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
Other Funds		
Due to Current Fund	\$ 1,959.00	1,959.00
Payroll Taxes Payable	31,675.21	31,957.46
Tax Title Lien Redemptions and Premiums	633,531.76	375,551.05
Reserves for Miscellaneous Trusts	166,827.86	157,493.77
	833,993.83	566,961.28
	\$ 1,018,901.01	738,873.33

EXHIBIT C - GENERAL CAPITAL FUND

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 1,921,075.23	2,553,738.15
Cash Held by New Jersey Environmental Infrastructure Trust	-	102,065.00
Deferred Charges to Future Taxation - Funded	10,401,953.88	12,066,462.09
Unfunded	<u>8,400,061.00</u>	<u>7,965,061.00</u>
	<u>20,723,090.11</u>	<u>22,687,326.24</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	243,438.20	488,270.14
Bond Anticipation Notes Payable	6,246,765.00	5,811,765.00
Serial Bonds Payable	6,784,625.00	7,989,309.00
Green Trust Loan Payable	63,793.58	81,043.24
Environmental Infrastructure Trust Loans Payable	1,143,160.30	1,255,418.85
School Serial Bonds	2,410,375.00	2,740,691.00
Reserve for Payment Bonds and Notes	44,184.00	-
Reserve for Improvements to Sewer System	25,000.00	25,000.00
Improvement Authorizations:		
Funded	703,540.25	774,262.75
Unfunded	2,946,513.02	3,359,870.50
Capital Improvement Fund	110,405.00	110,405.00
Fund Balance	1,290.76	51,290.76
	<u>\$ 20,723,090.11</u>	<u>22,687,326.24</u>

There were bonds and notes authorized but not issued at December 31,

2015	2,153,296.00
2016	2,153,296.00

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>
Beginning Balance January 1	\$ 51,290.76	22,714.00
Increased by:		
Premiums on Sale of Notes	-	28,577.00
Decreased by:		
Miscellaneous	-	0.24
Payment to Current Fund as Anticipated Revenue	50,000.00	-
	<u> </u>	<u> </u>
Ending Balance December 31	<u>\$ 1,290.76</u>	<u>51,290.76</u>

EXHIBIT G - GENERAL FIXED ASSETS

GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2016</u>	<u>2015</u>
General Fixed Assets:		
Land	\$ 2,663,681.92	1,565,318.67
Buildings	5,542,081.82	5,654,605.97
Machinery and Equipment	2,324,676.67	2,281,246.36
Vehicles	<u>2,873,228.81</u>	<u>2,735,538.81</u>
Total General Fixed Assets	<u>13,403,669.22</u>	<u>12,236,709.81</u>
Investment in General Fixed Assets	\$ <u>13,403,669.22</u>	<u>12,236,709.81</u>

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NOTES TO FINANCIAL STATEMENTS

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the City of Linwood include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Linwood, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Linwood Board of Education, Belhaven Avenue, Linwood, NJ 08221 and the Linwood Public Library, 301 Davis Avenue, Linwood, NJ 08221 are component units. However, under the regulatory basis of accounting in New Jersey, the component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices. The Linwood Public Library also has an independent audit performed and a copy is available at the Library.

B. Description of Funds

The accounting policies of the City of Linwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of Linwood accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

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

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

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the

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

City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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 the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- 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.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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 and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$500 are capitalized.

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.

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

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

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2016 and 2015.

	Balance as of 12/31/2015	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2016
Land	\$ 1,565,318.67	1,098,363.25		2,663,681.92
Buildings and Improvements	5,654,605.97	2,545.00	115,069.15	5,542,081.82
Furniture, Fixtures & Equip.	2,281,246.36	161,786.51	118,356.20	2,324,676.67
Vehicles	2,735,538.81	137,690.00		2,873,228.81
Total	<u>12,236,709.81</u>	<u>1,400,384.76</u>	<u>233,425.35</u>	<u>13,403,669.22</u>

	Balance as of 12/31/2014	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2015
Land	1,565,319.00		0.33	1,565,318.67
Buildings and Improvements	5,644,127.00	10,478.97		5,654,605.97
Furniture, Fixtures & Equip.	2,293,225.00	43,819.68	55,798.32	2,281,246.36
Vehicles	2,765,539.00		30,000.19	2,735,538.81
Total	<u>\$ 12,268,210.00</u>	<u>54,298.65</u>	<u>85,798.84</u>	<u>12,236,709.81</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the City to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy to the City to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey municipalities are permitted to accrue a compensated absences liability. The City has begun to accumulate funds for accrued absences. See Note 15 for additional information on the City's compensated absences policy.

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

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016, and establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the entity is anticipated to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "Tax Abatement Disclosures". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81 "Irrevocable Split-Interest Agreements" This statement, which is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "Pension issues – an amendment of GASB Statements No. 67, No.68, and No. 73". This statement, which is effective for fiscal periods beginning after June 15, 2016, may have an effect on the City's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations" This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

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

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of \$689,000.00 and \$521,530.00, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was \$165,000 and \$200,000 respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2016 and 2015 calendar years:

	2016	2015
Police - Salaries & Wages	(25,000.00)	
Police - Other Expenses	25,000.00	
Fire - Salaries & Wages		(35,000.00)
Gas	(16,000.00)	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2016 calendar year, City Council approved a budget insertion for Clean Communities in the amount of \$20,678.82. During the 2015 calendar year, City Council approved budget insertions for Clean Communities in the amount of \$18,083.50 and \$190,000.00 for NJDOT Wood-Lynne Boulevard Roadway Improvements.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During the 2016 and 2015 calendar years, no emergency appropriations or special emergencies were approved by City Council.

The unfunded balance on the Property Revaluation as of December 31, 2016 and 2015 was \$40,180.00 and \$80,360.00, respectively.

In addition, NJSA 40A:4-60 permits the Governing Body to cancel, by resolution, any unexpended balances of appropriations prior to year end. The following significant cancellations were approved in the 2016 and 2015 calendar years:

	2016	2015
Insurance		
Employee Group Health	\$ 20,000.00	
Police		
Salaries and Wages	50,000.00	80,000.00

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

Note 3: INVESTMENTS

As of December 31, 2016 and 2015, the municipality had no investments.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the City may invest in any one issuer.

Unaudited Investments

As more fully described in Note 19, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Mass Mutual Financial Group, as of April 1, 2016. Prior to April 1, 2016 the investments were held by Lincoln Benefit Life Company. Both Mass Mutual Financial Group and Lincoln Benefit Life Company are authorized providers approved by the Division of Local Government Services.

The balance in the account on December 31, 2016 and 2015 amounted to \$159,981.49 and \$147,828.02, respectively. The information on 5% or more invested with Mass Mutual Financial Group is not yet available.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, \$0 of the municipality's bank balance of \$4,759,042.43 and \$4,981,431.13 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2016 and 2015 consisted of the following:

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

	Balance 12/31/2015	Additions	Payments	Ending 12/31/2016	Due in One Year
General	\$ 9,325,771.09		1,334,192.21	7,991,578.88	1,218,862.46
School	2,740,691.00		330,316.00	2,410,375.00	352,511.00
Comp. Absences	588,992.34	252,622.90	252,629.49	588,985.75	-
Total	<u>12,655,454.43</u>	<u>252,622.90</u>	<u>1,917,137.70</u>	<u>10,990,939.63</u>	<u>1,571,373.46</u>

	Balance 12/31/2014	Additions	Payments	Ending 12/31/2015	Due in One Year
General	10,596,142.00		1,270,370.91	9,325,771.09	1,295,710.00
School	3,076,007.00		335,316.00	2,740,691.00	330,316.00
Comp. Absences	622,009.66	239,072.52	272,089.84	588,992.34	-
Total	<u>\$ 14,294,158.66</u>	<u>239,072.52</u>	<u>1,877,776.75</u>	<u>12,655,454.43</u>	<u>1,626,026.00</u>

As of December 31, 2016, all outstanding bonds are included in the general capital fund and interest and principal reductions are included in the current operating budget of the City.

The regulatory basis of accounting in New Jersey does not recognize accumulated absences as long-term debt. Accumulated absence liabilities are more fully described in Note 15.

Summary of Municipal Debt

Long-term debt as of December 31, 2016 consisted of the following:

\$2,020,000.00 General Obligations Bonds dated September 15, 2005 for various improvement in the City. The bonds were payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates varied from 3.25% to 3.625%. The final payment on this issue was made August 1, 2016.

\$4,099,222.00 General Obligation Bonds dated September 1, 2010 for various improvements in the City with a balance due on December 31, 2016 of \$2,404,625.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$5,960,000.00 General Obligation Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. The total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2016 was \$4,380,000.00.

\$148,500.00 Green Trust Loan dated December 22, 1997 for Construction of a bike path in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2016 of \$13,301.07. The bonds are payable semiannually on March 22 and September 22. Interest is calculated at 2%. The final payment is due March 22, 2018.

\$150,000.00 Green Trust Loan dated July 9, 2002 for Lighting at All Wars Memorial Park in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2016 of \$50,492.51. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

\$360,000.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Principal payments on this loan are payable annually on August 1, with a balance due on December 31, 2016 of \$300,000.00, with interest paid semi-annually on February 1 and August 1. Interest rates vary from 2.00% to 5.00%. The final payment is due on August 1, 2031.

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

\$1,155,931.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Semiannual principal payments were due on February 1 and August 1, with a balance due on December 31, 2016 of \$843,160.30. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2031.

\$230,778.00 School Bonds dated September 1, 2010 for construction and various improvements to the two elementary schools located within the City with a balance due on December 31, 2016 of \$135,375.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$1,280,000.00 School Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. As indicated above, the total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2016 was \$840,000.00.

\$1,615,000.00 School Refunding Bonds dated December 3, 2014 payable in annual installments through August 1, 2024. Interest is paid semiannually at 3% per annum. The total savings to the City was 47,073.58, or 3.03% as a result of refunding the 2005 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2016 was \$1,435,000.00.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Year Ending December 31,	Principal	Interest	Total
2017	\$ 1,571,373.56	317,768.31	1,889,141.87
2018	1,612,204.60	278,364.61	1,890,569.21
2019	1,677,906.64	229,065.93	1,906,972.57
2020	1,703,090.16	176,675.40	1,879,765.56
2021	1,098,277.38	122,363.19	1,220,640.57
2022-2026	2,358,702.74	158,316.22	2,517,018.96
2027-2031	380,398.80	17,256.00	397,654.80
Total	<u>\$ 10,401,953.88</u>	<u>1,299,809.66</u>	<u>11,701,763.54</u>

As of December 31, 2016, the carrying value of the above bonds approximates the fair value of the bonds. The debt service for the School Bonds is included in the municipal budget as a component of the Amount to be Raised by Taxation but is a component of the school tax levy. During the calendar years 2016 and 2015, the City's total amount to be raised by taxation included \$489,506.00 and \$422,528.00 respectively, for Local District School Tax.

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

<u>Summary of Municipal Debt</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
Bonds & Notes Issued:			
General	\$ 10,791,343.88	11,635,536.09	11,975,907.00
School	<u>5,857,375.00</u>	<u>6,242,691.00</u>	<u>6,578,007.00</u>
Net Bonds & Notes Issued	16,648,718.88	17,878,227.09	18,553,914.00
Bonds & Notes Authorized But Not Issued:			
General	1,803,296.00	1,803,296.00	1,803,296.00
School	<u>350,000.00</u>	<u>350,000.00</u>	<u>350,000.00</u>
Net Bonds & Notes Authorized But Not Issued	<u>2,153,296.00</u>	<u>2,153,296.00</u>	<u>2,153,296.00</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 18,802,014.88</u>	<u>20,031,523.09</u>	<u>20,707,210.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.298%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 6,207,375.00	6,207,375.00	-
Regional School District Debt	11,727,018.43	11,727,018.43	-
General Debt	<u>12,633,121.28</u>	-	12,633,121.28
	<u>\$ 30,567,514.71</u>	<u>17,934,393.43</u>	<u>12,633,121.28</u>

Net Debt \$12,633,121.28 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$972,902,899.00 = 1.298%. The above information is not in agreement with the Annual Debt Statement filed by the City. A revised Statement will be filed with the State of New Jersey.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 34,051,601.47
Net Debt	12,633,121.28
Remaining Borrowing Power	<u>\$ 21,418,480.19</u>

Note 6: SHORT TERM OBLIGATIONS

	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
	<u>12/31/2015</u>			<u>12/31/2016</u>
General Capital Note	\$ 2,309,765.00	510,000.00	20,000.00	2,799,765.00
School Note	3,502,000.00		55,000.00	3,447,000.00
Special Emergency Note	<u>80,360.00</u>		<u>40,180.00</u>	<u>40,180.00</u>
	<u>5,892,125.00</u>	<u>510,000.00</u>	<u>115,180.00</u>	<u>6,286,945.00</u>

	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
	<u>12/31/2014</u>			<u>12/31/2015</u>
General Capital Note	1,379,765.00	950,000.00	20,000.00	2,309,765.00
School Note	3,502,000.00			3,502,000.00
Special Emergency Note	<u>120,540.00</u>		<u>40,180.00</u>	<u>80,360.00</u>
	<u>\$ 5,002,305.00</u>	<u>950,000.00</u>	<u>60,180.00</u>	<u>5,892,125.00</u>

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

As of December 31, 2016 the City had the following bond anticipation notes outstanding:

<u>Bank</u>	<u>2016 Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>
Current Fund (Special Emergency)			
OceanFirst Bank	\$ 40,180.00	1.25%	7/27/2017
General Capital			
Oppenheimer & Co., Inc.	2,289,765.00	2.00%	7/27/2017
Township of New Brunswick, NJ	510,000.00	1.37%	12/19/2017
Jefferies, LLC	3,447,000.00	2.00%	4/4/2017
Total Special Emergency and Bond Anticipation Notes	\$ 6,286,945.00		

The City has included in its 2017 Local Municipal Budget \$40,180 for the final payment on the Special Emergency Note. It is the intent of the City to renew the bond anticipation notes for an additional one year period upon maturity, with a pay down of \$309,000.

Note 7: LEASES OBLIGATIONS

Operating Leases

In October 2015, the City entered into agreements to lease three (3) copy machines under operating leases. The total lease payments in 2016 and 2015 were \$5,304.00 and \$9,792.00 respectively. The term for the three leases is 48 months and they will expire on October 26, 2019. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

Capital Leases

The City is leasing three (3) police vehicles and equipment totaling \$92,710.00 under capital leases. Annual lease payments are made to Ford Motor Credit Company and include interest at a rate of 5.95% per annum.

The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at December 31, 2016.

<u>Year</u>	<u>Operating</u>	<u>Capital</u>
2017	5,304.00	25,223.89
2018	5,304.00	25,223.89
2019	4,420.00	25,223.89
Total minimum lease payments	15,028.00	75,671.67
Less amount representing interest	0	8,185.56
Present value of minimum lease payments	\$ 15,028.00	67,486.11

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

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2017 and 2016 were as follows:

	2017	2016
Current Fund	\$ 105,000.00	165,000.00

As of the date of this audit report, the City has not adopted the 2017 Local Municipal Budget and the above amount is subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans deductions, deferred charges, and cash deficit.

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the balance sheets of the various funds.

	Balance 12/31/2016	2017 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency NJSA 40A:4-55	\$ 40,180.00	40,180.00	-
	\$ 40,180.00	40,180.00	-

The appropriations in the 2017 budget are not less than that required by statute.

Note 10: SCHOOL TAXES

Local District and Regional High School Taxes have been raised and remitted, or established as a payable, to the respective district in the following amounts:

	2016	2015
Local School District	\$ 11,367,976.00	11,446,971.00
Regional High School District	6,317,665.00	6,395,889.00

Since the school districts operate on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

Note 11: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/2016	Balance 12/31/2015
Prepaid Taxes	\$ 260,214.40	343,769.34
Cash Liability for Taxes Collected in Advance	\$ 260,214.40	343,769.34

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

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15:c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 13.64% of covered payroll. The City's contributions to PERS for the years ended December 31, 2016, 2015 and 2014 were \$147,467.65, \$151,542, and \$155,604.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 27.32% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2016, 2015, and 2014 were \$414,204.00, \$379,476.00, and \$395,186.00.

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

The total payroll for the years ended December 31, 2016, 2015, and 2014 was \$3,051,036.66, \$3,448,282.22, and \$3,523,793.32. Payroll covered by PERS was \$1,313,149.00, \$1,348,188.00, and \$1,351,902.00, respectively. Payroll covered by PFRS was \$1,516,298.00, \$1,411,556.00, and \$1,575,159.00, respectively.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at

**NOTES TO FINANCIAL STATEMENTS
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the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Municipality has a liability of \$6,017,902 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.02031898940%, which would be an increase of 5.98% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$503,121. At December 31, 2016, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 111,915	
Changes of assumptions	1,246,588	
Changes in proportion	186,974	(398,471)
Net difference between projected and actual earnings on pension plan investments	229,468	
Total	\$ 1,774,945	(398,471)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

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

Year ended June 30,		
2017	\$	311,505
2018		311,505
2019		356,114
2020		298,008
2021		99,343
Total	<u>\$</u>	<u>1,376,474</u>

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	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 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. 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

NOTES TO FINANCIAL STATEMENTS
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percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

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

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

NOTES TO FINANCIAL STATEMENTS
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	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 7,211,876	6,017,902	\$ 5,033,231

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Police and Firemen's Retirement System

The Municipality has a liability of \$8,391,704 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.04392973970%, which would be a decrease of 13.79% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$794,416. At December 31, 2016, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience		(55,009)
Changes of assumptions	1,162,320	
Changes in proportion	245,018	(808,357)
Net difference between projected and actual earnings on pension plan investments	587,990	
Total	\$ 1,995,328	(863,366)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

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

Year ended June 30,	
2016	\$ 273,723
2017	273,723
2018	363,311
2019	212,836
2020	8,370
Total	\$ 1,131,962

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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

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

and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

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

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

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

NOTES TO FINANCIAL STATEMENTS
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	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	\$ 10,668,010	8,391,704	6,536,259

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2016 State special funding situation net pension liability amount of \$1,604,141,087.00, is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2016 State special funding situation pension expense of \$204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.04392973970% for 2016. The net pension liability amount allocated to the Municipality was \$704,695. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$90,006 is allocated to the Municipality.

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PFRS financial report.

Note 14: POST-RETIREMENT BENEFITS

Plan Description – The City contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operating and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

NOTES TO FINANCIAL STATEMENTS
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The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at - <http://www.state.nj.us/treasury/pensions/shbp.htm>.

Plan Coverage – The City currently has 4 collective bargaining units as well as several non-union employees. The employee's post employment benefits are dependent upon the collective bargaining unit to which they are a member as well as the year of retirement. The benefits by collective bargaining unit are:

Fire Fighters Local #4370 – upon completion of 25 years of service the employee receives 100% coverage for themselves and 50% coverage for spouse. Fire Fighters hired after January 1, 2015 will not be entitled to primary health benefits or supplemental hospitalization benefits upon retirement.

Mainland Local #77 (Superior Officers) – upon completion of 25 years of service the employee receives 100% coverage from themselves and family.

Mainland Local #77 (Rank and File) – upon completion of 25 years of service a Patrol Officer receives 100% coverage for themselves. Upon completion of 25 years of service a Sergeant receives 100% coverage for themselves and family. If a Patrol Officer or Sergeant retires due to a work related medical disability, the employee receives 100% coverage for themselves and family after only 20 years of service.

Teamsters Local #331 – upon completion of 25 years of service the employee receives 100% coverage for themselves. Employees hired after January 1, 2014 will not be entitled to primary health benefits or supplemental hospitalization benefits upon retirement.

Funding Policy – Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis. The rates charged by the system for the year ended December 31, 2016 vary according to the type of coverage selected by the retiree and range from \$540.45 to \$3,040.05 per month.

The City's contributions to SHBP for post-retirement benefits for the year ended December 31, 2016 and 2015 were \$586,310.21 and \$546,087.35 respectively, which equaled the required contribution for the year.

Note 15: INTER-LOCAL AGREEMENT

Effective March 13, 2013, the City entered into a one year agreement with the Atlantic County Utilities Authority (ACUA) where the ACUA will provide solid waste and bulk waste collection services for the City. This contract automatically renewed for an additional one year period and will continue to renew automatically each year through March 17, 2018 unless terminated by either party. After the fifth year, the City has the option to extend the agreement for an additional five year term. The City was obligated to pay \$165,700.00 for these services during the initial term of the contract. Any increases in cost will not exceed the percentage increase in the CPI-U for the Philadelphia SMSA of August of the contract year over August of the preceding year. In addition, the ACUA will assume ownership of a 2012 CNG Freightliner trash truck at a value of \$171,500.00. The value of this truck will be recaptured over five years, or \$34,300.00 per year. This value will be deducted from the annual contract costs. Invoices will be provided to the City each month for collections made during the preceding month. The City paid \$280,309.66 and \$244,364.00 for these services during the 2016 and 2015 calendar years.

**NOTES TO FINANCIAL STATEMENTS
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Note 16: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$588,985.75 in 2016 and \$588,992.34 in 2015. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. It is the City's policy to negotiate the final amount of each payment of accrued sick and vacation pay on an individual basis. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated liability. The City does not accrue the liability.

Note 17: ECONOMIC DEPENDENCY

The City of Linwood is not economically dependent on any one business or industry as a major source of tax revenue for the City.

Note 18: LITIGATION

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

Note 19: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2016 and 2015 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City of Linwood is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a liability limit of \$10,000,000.00 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the City is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2016 and 2015 was \$10,511.11 and \$10,935.54 respectively.

Note 20: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2003 the voters of the City of Linwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the City of Linwood by referendum at the general election in November of 2003. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The balance is subject to the general creditors of the

**NOTES TO FINANCIAL STATEMENTS
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City. Contributions by the City for qualified participants were \$15,000.00 and \$12,650.00 for 2016 and 2015 respectively.

Note 21: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in the City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. Specific qualifications for properties are delineated in the Code Book of the City. Qualifying properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years. During the 2016 and 2015 calendar years, the tax abatement program generated \$0 in revenue for the City.

Note 22: UNION CONTRACTS

As of December 31, 2016, the City's employees are organized in five collective bargaining units.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>	<u>Term</u>
PBA	Police	All uniformed police excluding Chief and Superior Officers	1/1/16-12/31/21
PBA	Police	Superior Officers	1/1/16-12/31/21
IAFF	Firefighters	All uniformed firefighters	1/1/15-12/31/19
Teamsters	Public Works	All public works employees excluding Superintendent, and police secretary	1/1/14-12/31/16 (the City is currently in negotiations for a new three year contract)

Note 23: INTERFUND BALANCES

As of December 31, 2016, the following interfunds were included on the balance sheets of the various funds of the City of Linwood:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Animal Control Fund	\$ 9,504.20	
Grant Fund	162,918.42	
Other Trust Funds	1,959.00	
Public Defender Trust		989.00
Grant Fund:		
Current Fund		162,918.42
Trust Fund:		
Current Fund -		
Public Defender Trust	989.00	
Animal Control Fund		9,504.20
Other Trust Funds		1,959.00
	<u>\$ 175,370.62</u>	<u>175,370.62</u>

The amounts due to the Current Fund from the Animal Control Fund is the result of excess funds in the reserve for dog expenditures. The amount due from Other Trust Funds to the Current Fund is due to interest earned on bank accounts that has not yet been transferred. The amount due to the Public Defender Trust

NOTES TO FINANCIAL STATEMENTS
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represents fees collected through the municipal court. The amount due from the Grant Fund to the Current Fund is the result of grant expenditures that have not yet been reimbursed by the funding agencies.

Note 24: DEFERRED COMPENSATION

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 25: SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 12, 2017, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 12, 2017, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 12, 2017



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

Report on Compliance for Each Major State Program

We have audited the City of Linwood's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and NJ OMB Circular 15-08 that could have a direct and material effect on each of the City's major state programs for the year ended December 31, 2016. The City's major 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and NJ OMB 15-08. Those standards, the Uniform Guidance and NJ OMB 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 a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB 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 City'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 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 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 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.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 12, 2017

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

Federal	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/16	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/16
Passed through State of New Jersey Federal or State Grantor/Pass-Through Grantor/Program Title								
Community Development Block Grant Memorial Park ADA Improvement	14.218	1/1/12-12/31/14	45,000.00	\$ 3,966.86		38,727.15	41,870.55	7,110.26
Community Development Block Grant ADA Curb Ramps Wabash Avenue	14.218	1/1/15-12/31/15	15,000.00		15,000.00	10,973.26		4,026.74
Total Community Development Block Grants				3,966.86	15,000.00	49,700.41	41,870.55	11,137.00
Passed through State of New Jersey Department of Transportation								
Safe Routes to Schools	20.205	1/1/09-12/31/11	170,000.00	35,043.00				35,043.00
Safe Routes to Transit	20.205	1/1/11-12/31/11	209,000.00	16,545.00				16,545.00
Total Department of Transportation				51,588.00	-	-	-	51,588.00
Federal Emergency Management Assistance FEIMA-1954								
Passed through State of New Jersey Office of Emergency Management	97.xxx	1/1/11-12/31/11	15,381.00	15,381.00				15,381.00
Hazard Mitigation Grant Program - Lifeline/Life Safety Energy Resilience Program	97.039	2/18/14-2/18/18	30,000.00	75,000.00		33,057.00		41,943.00
Total Federal Emergency Management Assistance				90,381.00	-	33,057.00	-	57,324.00
Total Federal Funds				145,935.86	15,000.00	82,757.41	41,870.55	120,049.00

THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE ARE AN INTEGRAL PART OF THIS STATEMENT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

State of New Jersey: Passed through:	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/16	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjustments	Balance 12/31/16	Total Cumulative State Expenditures (Memo Only)
Federal or State Grantor/Pass- Through Grantor/Program Title									
Department of Environmental Protection									
Clean Communities	4900-765-178920	1/1/15-12/31/15	18,083.58	620.00		620.00		-	18,083.58
Clean Communities	4900-765-178920	1/1/16-12/31/16	20,678.82		20,678.82	20,446.75		232.07	20,446.75
Recycling Tonnage Grant	4900-752-042-4900-001	1/1/15-12/31/15	12,920.00	9,732.25		1,320.00		8,412.25	4,507.75
Recycling Tonnage Grant	4900-752-042-4900-001	1/1/16-12/31/16	9,387.00		9,387.00			-	9,387.00
NJDEP Coastal Blue Acres	0112-12-CBA	1/1/15-12/31/15	953,000.00	953,000.00		705,540.25		247,459.75	705,540.25
Total Department of Environmental Protection				963,352.25	30,065.82	737,314.00	-	256,104.07	
Department of Community Affairs:									
Garden State Historic Preservation Trust	N/A	1/1/11-12/31/11	47,199.00	8,020.00				8,020.00	39,179.00
Total Garden State Historic Preservation Trust				8,020.00	-	-	-	8,020.00	
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/11-12/31/11	3,660.00	2,744.00		2,744.00		-	3,660.00
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/12-12/31/12	2,415.00		2,311.49			103.51	2,311.49
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/13-12/31/13	3,789.00	3,789.00		3,166.60		622.40	3,166.60
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/16-12/31/16	1,670.00		1,670.00			1,670.00	-
Total Division of Motor Vehicles				8,948.00	1,670.00	8,222.09	-	2,395.91	
Department of Transportation									
Reconstruction of Poplar Avenue	6320-480-601381-61	1/1/10-12/31/10	190,000.00	16,445.00				16,445.00	173,555.00
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/11-12/31/11	180,000.00	15,347.00				15,347.00	164,653.00
Reconstruction of Woodyms Drive	6320-480-601381-61	1/1/15-12/31/15	190,000.00	51,629.28		51,629.28		-	190,000.00
Reconstruction of Country Club Drive and Delmar Avenue	6320-480-601381-61	1/1/13-12/31/13	200,000.00	21,817.00				21,817.00	178,183.00
Linwood Bike Path Extension	6320-480-601381-61	1/1/13-12/31/13	270,000.00	270,000.00		209,316.83		60,683.17	209,316.83
Reconstruction of School House Drive	6320-480-601381-61	1/1/16-12/31/16	190,000.00	14,857.98		14,857.98		-	190,000.00
Reconstruction of Hamilton, Adams, and Grant Avenues	6320-480-601381-61	1/1/16-12/31/16	196,000.00		196,000.00	151,900.00		44,100.00	151,900.00
Total Department of Transportation				390,096.26	196,000.00	427,704.09	-	158,392.17	
Division of Criminal Justice									
Body Armor Fund	1020-718-066-1020-001	1/1/14-12/31/14	2,211.12	1,988.12		1,988.12		-	2,211.12
Body Armor Fund	1020-718-066-1020-001	1/1/15-12/31/15	1,765.00	1,765.00		1,765.00		-	1,765.00
Body Armor Fund	1020-718-066-1020-001	1/1/16-12/31/16	1,762.00		1,762.00	623.88		1,138.12	623.88
Total Division of Criminal Justice				3,755.12	1,762.00	4,377.00	-	1,138.12	
Total State Funds				1,374,169.63	229,497.82	1,177,617.18	-	426,050.27	
Total Federal and State Financial Assistance				\$ 1,520,105.49	244,497.82	1,260,374.59	41,870.55	546,099.27	

THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF LINWOOD
NOTES TO SCHEDULE OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016

Note 1: GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Linwood, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a comprehensive basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the City's financial statements. Receipts from federal and state grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the City's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Expenditure per Schedule of Expenditures of			
Federal Awards and State Financial Assistance	\$ 82,757.41	1,177,617.18	1,260,374.59
Encumbrances, net	<u>(10,973.26)</u>	<u>(165,421.50)</u>	<u>(176,394.76)</u>
Expenditures reported in Basic Financial Statements	<u>\$ 71,784.15</u>	<u>1,012,195.68</u>	<u>1,083,979.83</u>

**CITY OF LINWOOD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section I -- Summary of Auditor's Results

Financial Statement

Type of auditor's report issued	<u>Adverse under GAAP, Modified under Regulatory Basis</u>		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____ yes	<u> X </u>	no
• Significant deficiency(ies) identified?	_____ yes	<u> X </u>	none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u>	no

Federal Awards

Not applicable

Internal Control over major programs:			
• Material weakness(es) identified?	_____ yes	_____	no
• Significant deficiency(ies) identified?	_____ yes	_____	none reported

Type of auditor's report issued on compliance major programs _____

Any audit findings disclosed that are required to be reported in accordance with OMB Uniform Guidance _____ yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar Threshold used to distinguish between type A and type B programs: \$ _____

Auditee qualified as low-risk auditee? _____ yes _____ no

State Awards

Internal Control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance major programs

_____ Unmodified _____

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

_____ yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
_____ 0112-12-CBA _____	_____ New Jersey Department of Environmental Protection - Green Acres Program - Coastal Blue Acres _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar Threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

Part 2 – Schedule of Financial Statement Findings

NONE

***Part 3 – Schedule of Federal Awards and State Financial Assistance Findings
and Questioned Costs***

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Balance December 31, 2015	\$ 1,308,270.96	372,668.00
Increased by Receipts:		
Taxes Receivable	31,107,987.81	
Tax Title Liens Receivable	68,753.23	
Prepaid Taxes	260,214.40	
Sewer Rents Receivable	769,971.62	
Prepaid Sewer	320,344.97	
Revenue Accounts Receivable	1,229,571.13	
State of New Jersey -		
Senior Citizens and Veterans	71,182.19	
Marriage License Fees	525.00	
DCA Construction Fees	9,065.00	
Miscellaneous Revenue	84,124.83	
Due from Current Fund		3,003.00
Due from General Capital Fund	50,000.00	41,870.55
Grant - Unappropriated Reserves		1,783.37
Grant Receivables		1,112,981.26
	33,971,740.18	1,159,638.18
	35,280,011.14	1,532,306.18
Decreased by Disbursements:		
Current Year Appropriation	11,004,594.69	
Prior Year Appropriations	124,366.99	
County Taxes	4,537,270.82	
County Added Taxes	11,599.43	
Local District School Taxes	11,367,976.00	
Regional School Taxes	6,317,665.00	
Special Emergency Note Payable	40,180.00	
State of New Jersey -		
Marriage License Fees	600.00	
DCA Construction Fees	9,246.00	
Refund of Prior Year Revenue	106,048.21	
Federal and State Disbursements		1,363,792.69
	33,519,547.14	1,363,792.69
Balance December 31, 2016	\$ <u>1,760,464.00</u>	<u>168,513.49</u>

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2015	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2016
				2015	2016				
2015	\$ 524,903.69		1,554.86	503,975.45	503,975.45	7,898.50	14,326.54	258.06	
	524,903.69	-	1,554.86	-	503,975.45	7,898.50	14,326.54	258.06	
2016		31,566,552.91	87,207.45	343,769.34	30,727,737.61	171,600.35	34,471.74	376,181.32	
	\$ 524,903.69	31,566,552.91	88,762.31	343,769.34	31,231,713.06	179,498.85	48,798.28	376,439.38	

Cash Receipts
Overpayments Applied 31,107,987.81
Overpayments Created 55,599.29
Senior Citizens and Veterans (3,874.04)
72,000.00
31,231,713.06

Analysis of Current Year Tax Levy

Tax Yield:	
General Property Tax	31,566,552.91
Added Taxes (54:4-63.1 et. Seq.)	<u>87,207.45</u>
	<u>31,653,760.36</u>
Tax Levy:	
General County Taxes	4,324,127.42
County Open Space Taxes	15,086.37
County Health Taxes	198,057.03
County Added and Omitted Taxes	<u>12,609.28</u>
Total County Taxes	4,549,880.10
Local School District Tax	11,367,976.00
Regional School District Tax	6,317,665.00
Additional Local School District Tax	489,506.00
Minimum Library Tax	321,955.00
Local Tax for Municipal Purposes	8,496,114.00
Add: Additional Tax Levied	<u>110,664.26</u>
	<u>8,606,778.26</u>
	<u>31,653,760.36</u>

**CURRENT FUND
SCHEDULE OF RENTS**

Balance December 31, 2015		\$	29,109.00
Increased by:			
Sewer Charges Levied in 2016	1,073,850.00		
Miscellaneous	6,694.08		
Penalty	5,940.00		
	<u>1,086,484.08</u>		<u>1,086,484.08</u>
			1,115,593.08
Decreased by:			
Prepaid in 2015	312,754.12		
Cash	769,971.62		
	<u>1,082,725.74</u>		
Transfer to Liens	<u>-</u>		<u>1,082,725.74</u>
Balance December 31, 2016		\$	<u><u>32,867.34</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2015		\$ 62,578.00
Increased by:		
Transfers from:		
Taxes Receivable	48,798.28	
Sewer Rents Receivable	-	
Interest and Costs Accrued by Sale of April 18, 2016	2,053.26	
	<u> </u>	<u>50,851.54</u>
Decreased by:		
Cancelation By Resolution Collection	6,222.16	
	<u>68,753.23</u>	<u>74,975.39</u>
Balance December 31, 2016		\$ <u><u>38,454.15</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2015	Accrued in 2016	Collected by		Balance Dec. 31, 2016
			Collector	Treasurer	
Licenses:					
Other	\$	59,614.93		59,614.93	
Fines and Costs:					
Municipal Court	4,183.00	96,954.38		94,272.42	6,864.96
Interest and Costs on Taxes		123,229.06	123,229.06		
Interest Earned on Investments		12,443.29		12,443.29	
Parking Permits		8,510.00		8,510.00	
Planning and Zoning Permits		4,450.00		4,450.00	
Energy Receipts Tax		571,608.00		571,608.00	
Type 1 School Debt Service Aid		28,761.00		28,761.00	
Uniform Construction Code Fees		254,606.00		254,606.00	
Uniform Fire Safety Fees		18,087.80		18,087.80	
Bell Atlantic Nynex Tower		53,988.63		53,988.63	
	<u>\$ 4,183.00</u>	<u>1,232,253.09</u>	<u>123,229.06</u>	<u>1,106,342.07</u>	<u>6,864.96</u>

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration					
Other Expenses	\$ 1,691.00	1,691.00	479.07	1,211.93	
Municipal Clerk					
Salaries and Wages	315.39	315.39		315.39	
Other Expenses	4,786.72	4,786.72	1,811.60	2,975.12	
Elections					
Other Expenses	2,332.20	2,332.20		2,332.20	
Financial Administration					
Salaries and Wages	0.23	0.23		0.23	
Other Expenses	1,275.70	1,275.70	1,088.00	187.70	
Collection of Taxes					
Salaries and Wages	3,010.77	3,010.77		3,010.77	
Other Expenses	2,034.12	2,034.12		2,034.12	
Assessment of Taxes					
Salaries and Wages	218.10	218.10		218.10	
Other Expenses	1,984.70	1,984.70		1,984.70	
Paying Agent Fees	2,000.00	2,000.00		2,000.00	
Legal Services					
Other Expenses	311.94	311.94	308.00	3.94	
Engineering & Planning Services					
Other Expenses					
Professional Services					
Public Buildings and Grounds	4,662.50	4,662.50	761.25	3,901.25	
Other Expenses	15,652.81	15,652.81	6,492.93	9,159.88	
Shade Tree					
Other Expenses	305.00	305.00		305.00	
INSURANCE					
Other Insurance	6,231.00	6,231.00		6,231.00	
Employee Group Health	0.10	0.10		0.10	
LAND USE ADMINISTRATION:					
Planning Board					
Salaries and Wages	0.02	0.02		0.02	
Other Expenses	39.54	39.54		39.54	

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Zoning Board of Adjustment	3,424.10	3,424.10	360.00	3,064.10	
Other Expenses					
PUBLIC SAFETY:					
Uniform Fire Safety Act	397.59	397.59	397.59		
Other Expenses					
Fire	4,753.26	4,753.26		4,753.26	
Salaries and Wages					
Other Expenses	20.00	20.00		20.00	
Lease of Fire House					
Misc. Other Expenses	50,991.24	50,991.24	49,449.63	1,541.61	
Police	25,747.03	25,747.03		25,747.03	
Salaries and Wages					
Other Expenses	36,980.75	36,980.75	35,220.15	1,760.60	
Communication	2,853.00	2,853.00	866.53	1,986.47	
Other Expenses					
Emergency Management Services	596.00	596.00		596.00	
Other Expenses					
SANITATION:					
Road Repair and Maintenance	4,944.38	4,944.38		4,944.38	
Salaries and Wages					
Other Expenses	11,866.71	11,866.71	7,337.90	4,528.81	
Sewer System					
Other Expenses					
Finance and Administration	5,058.00	5,058.00		5,058.00	
Operations and Maintenance	9,179.34	9,179.34	15.28	9,164.06	
Miscellaneous Other Expenses	127.00	127.00		127.00	
Landfill - Tipping Fees	19,321.90	19,321.90	2,294.00	17,027.90	
Municipal Services Act	282.58	282.58		282.58	
HEALTH AND WELFARE:					
Animal Control Service (Dog Regulation)	800.00	800.00	800.00		
Contractual					
Senior Citizens Center	100.00	100.00		100.00	
Other Expenses					

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
RECREATION AND EDUCATION:					
Parks and Playgrounds					
Salaries and Wages	1,084.00	1,084.00		1,084.00	
Other Expenses	4,993.50	4,993.50	4,960.73	32.77	
Historian					
Other Expenses	20.00	20.00		20.00	
STATE UNIFORM CONSTRUCTION CODE					
Construction Official					
Salaries and Wages	3,439.12	3,439.12		3,439.12	
Other Expenses	2,655.40	2,655.40	25.50	2,629.90	
UNCLASSIFIED:					
Utilities					
Gasoline	2,991.34	2,991.34		2,991.34	
Electricity	734.51	734.51		734.51	
Telephone	1,565.03	1,565.03	1,235.19	329.84	
Natural Gas	1,139.43	1,139.43		1,139.43	
Street Lighting	3,175.99	3,175.99	1,580.64	1,595.35	
Fire Hydrant Services	65.78	65.78		65.78	
Water and Sewer	1,307.08	1,307.08		1,307.08	
Public Access Channel 2	500.00	500.00		500.00	
Accumulated Leave					
Salaries and Wages	5.00	5.00		5.00	
Contingent	500.00	500.00		500.00	
Statutory Expenditures:					
Contributions to:					
Social Security System (O.A.S.I)	16,269.15	16,269.15		16,219.15	
Unemployment Compensation Insurance	4,064.46	4,064.46	50.00	4,064.46	
Defined Contribution Retirement Program	2,684.35	2,684.35		2,684.35	
OPERATIONS EXCLUDED FROM "CAPS"					
GENERAL GOVERNMENT:					
Atlantic County Sewerage Authority					
Share of Costs	1.00	1.00			
City of Northfield's Share of Sewer Rents	8,370.00	8,370.00	8,370.00		1.00

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Recycling Tax	815.46	815.46		815.46	
Employee Group Insurance	17,509.00	17,509.00		17,509.00	
Length of Service Award Program	4,350.00	4,350.00		4,350.00	
NJPDES Storm Water Permit NJSA 40A:4-45.3(cc) Streets & Roads O/E	1,951.00	1,951.00		1,951.00	
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc) Landfill Tipping Fees	500.00	500.00		500.00	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc) Municipal Clerk O/E	500.00	500.00	463.00	37.00	
Interlocal Municipal Service Agreements Dispatch Shared Services	6,854.00	6,854.00		6,854.00	
	<u>312,339.32</u>	<u>312,339.32</u>	<u>124,366.99</u>	<u>187,972.33</u>	<u>-</u>
	\$				

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2015	\$	-
Increased by:		
Levy - Calendar Year 2016		<u>11,367,976.00</u>
		11,367,976.00
Decreased by:		
Payments		<u>11,367,976.00</u>
Balance December 31, 2016	\$	<u><u>-</u></u>

**CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL TAX**

Balance December 31, 2015	\$	-
Increased by:		
Levy - Calendar Year 2016		6,317,665.00
		6,317,665.00
Decreased by:		
Payments		6,317,665.00
Balance December 31, 2016	\$	-

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2015	Transferred From 2016 Revenues	Received	Adjustments	Balance Dec. 31, 2016
FEDERAL GRANTS:					
Federal Emergency Management Assistance Grant #1889	\$ 358.00				358.00
Grant #1954	15,381.00				15,381.00
Hazard Mitigation Grant Program - Lifeline/ Life Safety Energy Resilience Program	75,000.00				75,000.00
Safe Routes to Schools	35,043.00				35,043.00
Safe Routes to Transit - Poplar Avenue	24,120.00				24,120.00
Community Development Block Grant	45,000.00	15,000.00			60,000.00
Total Federal	<u>194,902.00</u>	<u>15,000.00</u>	<u>-</u>	<u>-</u>	<u>209,902.00</u>
STATE GRANTS:					
New Jersey Transportation Trust Fund					
Reconstruction of Poplar Avenue	1,528.00				1,528.00
Country Club Drive & Delmar Avenue	10,453.00				10,453.00
Linwood Bike Path Extension	270,000.00		209,316.83		60,683.17
Reconstruction of Woodlynnne Blvd.	99,939.00		99,938.75		0.25
Reconstruction of School House Drive	47,500.00		47,500.00		-
Reconstruction of Hamilton, Adams, and Grant Avenues	-	196,000.00			196,000.00
Clean Communities Program	823.00	20,678.82	20,678.82		823.00
Recycling Tonnage Grant	-	9,387.00	9,387.00		-
Body Armor	-	1,762.00	1,762.00		-
Coastal Blue Acres	953,000.00		715,000.00		238,000.00
Drunk Driving Enforcement	3,216.00	1,670.00	1,670.00		3,216.00
Garden State Historic Preservation Trust					
Leedsville School Project	2,428.00				2,428.00
Total State	<u>1,388,887.00</u>	<u>229,497.82</u>	<u>1,105,253.40</u>	<u>-</u>	<u>513,131.42</u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance Dec. 31, 2015</u>	<u>Transferred From 2016 Revenues</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2016</u>
LOCAL GRANTS:					
Atlantic County Drug Alliance	18,581.00	9,007.00	11,159.86		16,428.14
Comcast Technology Grant	-	20,000.00	20,000.00		-
Total Local	<u>18,581.00</u>	<u>29,007.00</u>	<u>31,159.86</u>	<u>-</u>	<u>16,428.14</u>
	<u>\$ 1,602,370.00</u>	<u>273,504.82</u>	<u>1,136,413.26</u>	<u>-</u>	<u>739,461.56</u>
		Cash	1,112,981.26		
		Unappropriated Reserves	23,432.00		
			<u>1,136,413.26</u>		

**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2015	2016		Disbursed	Encumbrances	Adjustment/ Canceled	Balance Dec. 31, 2016
	Appropriated	Reserve for Encumbrances	Appropriations				
FEDERAL GRANTS:							
Federal Emergency Management Assistance Grant #1954	\$ 15,381.00						15,381.00
Hazard Mitigation Grant Program - Lifeline/ Life Safety Energy Resilience Program	75,000.00			33,057.00			41,943.00
Safe Routes to Schools	35,043.00						35,043.00
Safe Routes to Transit - Poplar Avenue	16,545.00						16,545.00
Community Development Block Grant	3,129.45	837.41	15,000.00	38,727.15	10,973.26	41,870.55	11,137.00
Total Federal	145,098.45	837.41	15,000.00	71,784.15	10,973.26	41,870.55	120,049.00
STATE GRANTS:							
New Jersey Transportation Trust Fund							
Reconstruction of Poplar Avenue	16,445.00		196,000.00		151,900.00		16,445.00
Reconstruction of Maple Avenue	15,347.00		20,678.82	20,459.25	607.50		15,347.00
Country Club Drive & Delmar Avenue	21,817.00		9,387.00	1,320.00	9,387.00		21,817.00
Bike Path Extension	10,125.25	259,874.75		209,316.83			60,683.17
Reconstruction of Woodlyme Blvd.	7,585.00	44,044.28		51,629.28			-
Reconstruction of School House Drive	-	14,857.98		14,857.98			-
Reconstruction of Hamilton, Adams, and Grant Avenues							
Clean Communities Program	152.00	468.00		20,459.25			44,100.00
Recycling Tonnage Grant	8,412.25	1,320.00		1,320.00			232.07
Body Armor	2,903.12	850.00		850.00			8,412.25
Drunk Driving Enforcement 2016	-		1,670.00		3,527.00		1,138.12
Drunk Driving Enforcement 2011	2,744.00			2,744.00			1,670.00
Drunk Driving Enforcement 2012	2,415.00			2,311.49			-
Drunk Driving Enforcement 2013	3,789.00			3,166.60			103.51
Garden State Historic Preservation Trust	8,020.00						622.40
NJ Coastal Blue Acres							8,020.00
Patcong Creek Open Space Acquisition	953,000.00			705,540.25			247,459.75
Total State	1,052,754.62	321,415.01	229,497.82	1,012,195.68	165,421.50	-	426,050.27
LOCAL GRANTS:							
Atlantic County Drug Alliance-County	10,453.09		9,007.00	8,962.86			10,497.23
Atlantic County Drug Alliance-Local	8,127.00		3,003.00	850.00			10,280.00
Frank H. Stewart Trust Fund							
Acquisition of Land for City Purposes	250,000.00		20,000.00	250,000.00			-
Comcast Technology Grant	268,580.09	-	32,010.00	279,812.86			-
Total State	1,466,433.16	322,252.42	276,507.82	1,363,792.69	176,394.76	41,870.55	566,876.50

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

Purpose	Balance Dec. 31, 2015	Transferred To 2016 Appropriations	Received	Adjustments	Balance Dec. 31, 2016
FEDERAL GRANTS:					
None	\$ -				-
Total Federal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
STATE GRANTS:					
Drunk Driving Enforcement	1,670.00	1,670.00			-
Body Armor Grant	1,763.00	1,762.00	1,783.18		1,784.18
Recycling Tonnage	1.00		0.19		1.19
Comcast Techonology Grant	20,000.00	20,000.00			-
Total State	<u>23,434.00</u>	<u>23,432.00</u>	<u>1,783.37</u>	<u>-</u>	<u>1,785.37</u>
\$	<u>23,434.00</u>	<u>23,432.00</u>	<u>1,783.37</u>	<u>-</u>	<u>1,785.37</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2015	\$ 24,084.03	565,972.28
Increased By:		
Dog License Fees	1,761.20	
Cat License Fees	208.46	
Dog License Fees - State Share	352.80	
Bike Path Beautification		2,103.03
Law Enforcement Trust		6,245.84
Public Defender Trust		0.01
Tax Premiums and Redemptions		1,124,019.55
Municipal Drug Alliance		2,276.89
NJ Water Street Openings		1.34
Street Openings		30,525.22
Uniform Fire Safety Fees		11.25
Traffic Control		34,842.49
Trust Other		123,807.73
SPZ Trust		8,821.74
Developer's Escrow		53,063.75
Individual Developer's Escrow		60,919.74
Parking Offenses Adjudication Act		8.01
Payroll Deposits		3,214,365.93
Payroll Withholdings		1,509,003.52
Accumulated Absences		16.43
	<u>2,322.46</u>	<u>6,170,032.47</u>
	26,406.49	6,736,004.75
Decreased By:		
Due to State of New Jersey	352.80	
Animal Control Expenditures	1,128.00	
Bike Path Beautification		1,079.09
Law Enforcement Trust		7,037.08
Tax Premiums and Redemptions		866,038.84
Municipal Drug Alliance		4,047.47
NJ Water Street Openings		21,468.64
Street Openings		4,445.00
Traffic Control		32,985.00
Trust Other		123,805.25
SPZ Trust		11,388.51
Developer's Escrow		53,059.41
Individual Developer's Escrow		53,996.49
Payroll Deposits		3,212,314.90
Payroll Withholdings		1,511,334.24
	<u>1,480.80</u>	<u>5,902,999.92</u>
Balance December 31, 2016	\$ <u><u>24,925.69</u></u>	<u><u>833,004.83</u></u>

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

<u>Analysis of Balance @ Dec. 31, 2016</u>	<u>Other</u>
Payroll Agency	31,583.18
Payroll Trust	2,051.03
Other Miscellaneous Trusts:	
Accumulated Absenses	37,829.81
Bike Path Beautification	7,661.52
Green Trust	0.01
Law Enforcement	5,839.76
Municipal Drug Alliance	8,448.02
NJ American Water Street Openings	2,901.88
Other Trust Disbursement Account	115.30
Parking Offenses Adjudication Act	54.01
Public Defender	50.01
Recycling	1,404.23
SPZ Trust Fund	19,006.89
Street Openings	26,080.22
Tax Title Lien Redemption	633,531.76
Traffic Control	1,867.49
Uniform Fire Safety	2,909.71
Developer's Trusts:	
Developer's Escrow Disbursement Account	721.75
Cornerstone Commerce Center, LLC	14.12
GLB Management LLC	4,160.00
Peter P. Pindale II	5,316.60
South Jersey Gas Escrow	33,619.91
URS Corporation	7,837.62
	833,004.83
	833,004.83

**TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES**

Balance December 31, 2015	\$	4,507.80
Increased by:		
Dog License Fees Collected		1,761.20
		6,269.00
Decreased by:		
Expenditures Under N.J.S.A. 4:19-15.11	1,128.00	
Statutory Excess Due Current Fund	1,299.20	
		2,427.20
Balance December 31, 2016	\$	3,841.80

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2015	1,740.80
	2014	2,101.00
	\$	3,841.80

TRUST FUND
SCHEDULE OF AMOUNT DUE TO CURRENT FUND -
ANIMAL CONTROL FUND

Balance December 31, 2015	\$	8,205.00
Increased by:		
Statutory Excess in Reserve for Dog Fund Expenditures	<u>1,299.20</u>	<u>1,299.20</u>
Balance December 31, 2016	\$	<u><u>9,504.20</u></u>

**TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY -
DEPARTMENT OF HEALTH**

Balance December 31, 2015	\$	-
Increased by:		
2016 State License Fee	259.00	
2016 Pilot Clinic Fee	51.80	
2016 Animal Population Control Fee	42.00	
		352.80
		352.80
Decreased By:		
Payments	352.80	
		352.80
Balance December 31, 2016	\$	-

**TRUST FUND
SCHEDULE OF RESERVE FOR CAT REGISTRATIONS**

Balance December 31, 2015	\$	11,371.23
Increased by:		
Cat License Fees Collected		208.46
Decreased by:		
Disbursements		-
Balance December 31, 2016	\$	11,579.69

TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS

Balance December 31, 2015	\$	375,551.05
Increased by:		
Premium Received at Tax Sale	694,700.00	
Tax Title Lien Redemptions Deposited	427,302.37	
Interest Earned	<u>2,017.18</u>	
		<u>1,124,019.55</u>
		1,499,570.60
Decreased by Disbursements:		
Refund Upon Redemption	341,104.61	
Premiums Returned	521,900.00	
Interest Paid to Current Fund	<u>3,034.23</u>	
		<u>866,038.84</u>
Balance December 31, 2016	\$	<u><u>633,531.76</u></u>

TRUST FUND
SCHEDULE OF MISCELLANEOUS TRUST FUND RESERVES

	Balance Dec. 31, 2015	Miscellaneous	Disbursements	Balance Dec. 31, 2016
Reserves for:				
Other Miscellaneous Trusts:				
Public Defender	\$ 1,039.00	0.01		1,039.01
Parking Offenses Adjudication Act	46.00	8.01		54.01
SPZ Trust	13,104.00	17,291.40	11,388.51	19,006.89
Other Trust Disbursement Account	-	123,920.55	123,805.25	115.30
Bike Path Maint	6,637.58	2,103.03	1,079.09	7,661.52
NJ Water Street Openings	24,369.18	1.34	21,468.64	2,901.88
Street Openings	-	30,525.22	4,445.00	26,080.22
Recycling	4,022.35	1,613.96	4,232.08	1,404.23
Drug Alliance	10,218.60	2,276.89	4,047.47	8,448.02
Law Enforcement	4,012.88	4,631.88	2,805.00	5,839.76
Accumulated Absences	37,813.38	16.43		37,829.81
Uniform Fire Safety Fees	2,907.79	11.92	10.00	2,909.71
Traffic Control	-	34,842.49	32,975.00	1,867.49
Green Trust	0.01			0.01
Developer's Escrow Trusts:				
Developer's Disbursement Account	9,313.00	53,063.75	61,655.00	721.75
Central United Methodist Church	2,562.00	1.66	2,563.66	-
Cornerstone Commerce Center, LLC	-	14.12		14.12
GLB Management LLC	-	10,807.00	6,647.00	4,160.00
Peter P. Pindale III	5,274.00	42.60		5,316.60
South Jersey Gas Escrow	28,399.00	50,006.74	44,785.83	33,619.91
URS Corporation	7,775.00	62.62		7,837.62
	<u>\$ 157,493.77</u>	<u>331,241.62</u>	<u>321,907.53</u>	<u>166,827.86</u>

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2015		\$ 2,553,738.15
Increased by:		
Bond Anticipation Notes	510,000.00	
NJEIT Drainage Project Reimbursements	102,065.00	
Reserve for Payments of Bonds and Notes	44,184.00	
Reimbursements	0.09	
	<u> </u>	<u>656,249.09</u>
		3,209,987.24
Decreased by:		
Improvement Authorizations	1,238,912.01	
Capital Surplus to Current Fund	50,000.00	
	<u> </u>	<u>1,288,912.01</u>
Balance December 31, 2016		\$ <u><u>1,921,075.23</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Budget Appropriation		Receipts		Debt Issued		Disbursements		Transfers		Balance	
	Dec. 31, 2015				Miscellaneous				Improvement Authorizations	Miscellaneous	From	To	Dec. 31, 2016	
Fund Balance	\$ 51,290.76													1,290.76
Capital Improvement Fund	110,405.00													110,405.00
Encumbrances Payable	488,270.14				0.09						488,270.23	243,438.20		243,438.20
Reserve for payments of Bonds and Notes					44,184.00									44,184.00
Reserve for Improvements to Sewer System	25,000.00									50,000.00				25,000.00
<u>Improvement Authorizations:</u>														
14-07 Various General Improvements	19,784.00										15,049.00			4,735.00
14-08 Various General Improvements	42,371.00								36,288.59					6,082.41
11-09 Various General Improvements	4,768.00								178.00			523.09		5,113.09
8-10 Clean Water Project - NJEIF	62,958.75				102,065.00				32,887.50			50,554.94		182,691.19
9-10 Purchase of Police Vehicle	413.00								7,447.44					413.00
10-10 Various General Improvements	13,211.00													5,763.56
17-10 Purchase of Computer Server	-											815.00		-
10-11 Various General Improvements	10,914.00								6,272.02					5,456.98
13-12 Various General Improvements	28,423.00								13,995.00			13,995.00		28,423.00
10-13 Various Improvements to Schools	986,339.07								235,643.19					750,695.88
9-14 Purchase of Computer Software for Construction Department	10,900.00								10,900.00					-
12-14 Demolition of Poplar Avenue School	(239,859.09)								5,242.50		38,250.00			(283,351.59)
14-14 Various General Improvements	114,128.52								338,167.25		55,489.45	338,794.82		59,266.64
6-15 Various General Improvements	824,421.00								66,071.49		134,649.75	83,587.38		707,287.14
7-16 Various General Improvements									485,819.03					24,180.97
	\$ 2,553,738.15				146,249.09		510,000.00		1,238,912.01	50,000.00	731,708.43	731,708.43		1,921,075.23

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2015	\$	110,405.00
No activity		
Balance December 31, 2016	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">110,405.00</div>

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2015		\$ 12,066,462.09
Decreased by:		
2016 Budget Appropriation to Pay Bonds:		
Municipal Bonds	1,204,684.00	
Green Trust Loan Principal Paid	17,249.66	
NJEIT Bonds & Loans	112,258.55	
School Bonds	<u>330,316.00</u>	
		<u>1,664,508.21</u>
Balance December 31, 2016		<u>\$ 10,401,953.88</u>

**GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord #	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Raised in 2016 Budget	Cancelled	Balance Dec. 31, 2016	Bond Anticipation Notes	Analysis of Balance	
								Expenditures	Unexpended Improvement Authorizations
11-2009	Various Improvements (a) Improvements to Roads & Drainage \$	223.00				223.00		223.00	
8-2010	Property Acquisition	494,069.00				494,069.00		494,069.00	
10-2010	Various General Improvements (a) Improvements to Roads & Drainage	3,000.00				3,000.00		3,000.00	
10-2011	Various General Improvements	195,701.00		8,500.00		187,201.00	187,200.00	1.00	
15-2011	Refunding Bond Issue	940,000.00				940,000.00			940,000.00
13-2012	Various General Improvements	214,068.00		11,500.00		202,568.00	202,565.00	3.00	
10-2013	Various Improvements to Schools	3,612,000.00		55,000.00		3,557,000.00	3,447,000.00	110,000.00	
12-2014	Demolition of Poplar Avenue School and Related Improvements	606,000.00				606,000.00		283,351.59	322,648.41
14-2014	Various General Improvements	950,000.00				950,000.00	950,000.00		
6-2015	Various General Improvements	950,000.00				950,000.00	950,000.00		
7-2016	Tax Appeal Refunding Bonds		510,000.00			510,000.00	510,000.00		
		<u>\$ 7,965,061.00</u>	<u>510,000.00</u>	<u>75,000.00</u>	<u>-</u>	<u>8,400,061.00</u>	<u>6,246,765.00</u>	<u>890,647.59</u>	<u>1,262,648.41</u>

Improvement Authorizations Unfunded	2,946,513.02
Less:	
Unexpended Proceeds of Bond	
Anticipation Notes Issued:	
Ord. Number	
10-2011	5,457.98
13-2012	28,426.00
10-2013	860,695.88
14-2014	59,266.64
6-2015	705,837.14
7-2016	24,180.97
	<u>1,683,864.61</u>
	<u>\$ 1,262,648.41</u>

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
General Improvement Bonds	9/15/2005	2,020,000.00	-	-	\$	220,000.00	-	220,000.00	-
General Improvement Bonds	8/15/2017	577,489.00	577,489.00	2.000%	2.000%	2,854,309.00	-	449,684.00	2,404,625.00
	8/15/2018	596,423.00	596,423.00	2.250%	2.250%				
	8/15/2019	620,090.00	620,090.00	2.375%	2.375%				
	8/15/2020	610,623.00	610,623.00	2.500%	2.500%				
General Improvement Bonds (Refunding)	7/15/2017	550,000.00	550,000.00	3.000%	3.000%	4,915,000.00	-	535,000.00	4,380,000.00
	7/15/2018	570,000.00	570,000.00	4.000%	4.000%				
	7/15/2019	600,000.00	600,000.00	4.000%	4.000%				
	7/15/2020	625,000.00	625,000.00	4.000%	4.000%				
	7/15/2021	650,000.00	650,000.00	4.000%	4.000%				
	7/15/2022	680,000.00	680,000.00	4.000%	4.000%				
	7/15/2023	705,000.00	705,000.00	4.000%	4.000%				
					\$	<u>7,989,309.00</u>	<u>-</u>	<u>1,204,684.00</u>	<u>6,784,625.00</u>

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	December 31, 2016	Amount					
Construction of Bike Path	12/22/1997	148,500.00	3/22/2017	4,389.65	2.000%	21,950.09		8,649.02	13,301.07	
			9/22/2017	4,433.54	2.000%					
			3/22/2018	4,477.88	2.000%					
Lighting at All Wars Memorial Park	7/9/2003	150,000.00	01/15/17	4,365.28	2.000%	59,093.15		8,600.64	50,492.51	
			07/15/17	4,408.94	2.000%					
			01/15/18	4,453.02	2.000%					
			07/15/18	4,497.55	2.000%					
			01/15/19	4,542.53	2.000%					
			07/15/19	4,587.96	2.000%					
			01/15/20	4,633.84	2.000%					
			07/15/20	4,680.17	2.000%					
			01/15/21	4,726.98	2.000%					
			07/15/21	4,774.25	2.000%					
			01/15/22	4,821.99	2.000%					
						\$ 81,043.24	-	17,249.66	63,793.58	

GENERAL CAPITAL FUND
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
Infrastructure	5/3/12	1,155,931.00	2/1/17	39,184.10	-	\$ 940,418.85		97,258.55	843,160.30
			8/1/17	19,592.05	-				
			2/1/18	39,184.10	-				
			8/1/18	19,592.05	-				
			2/1/19	39,184.10	-				
			8/1/19	19,592.05	-				
			2/1/20	39,184.10	-				
			8/1/20	19,592.05	-				
			2/1/21	39,184.10	-				
			8/1/21	19,592.05	-				
			2/1/22	39,184.10	-				
			8/1/22	19,592.05	-				
			2/1/23	39,184.10	-				
			8/1/23	19,592.05	-				
			2/1/24	39,184.10	-				
			8/1/24	19,592.05	-				
			2/1/25	39,184.10	-				
			8/1/25	19,592.05	-				
			2/1/26	39,184.10	-				
			8/1/26	19,592.05	-				
			2/1/27	39,184.10	-				
			8/1/27	19,592.05	-				
			2/1/28	39,184.10	-				
			8/1/28	19,592.05	-				
			2/1/29	39,184.10	-				
			8/1/29	19,592.05	-				
			2/1/30	39,184.10	-				
			8/1/30	19,592.05	-				
			2/1/31	20,294.20	-				
Infrastructure	5/3/12	360,000.00	8/1/17	15,000.00	5.00%	315,000.00		15,000.00	300,000.00
			8/1/18-8/1/21	15,000.00	5.00%				
			8/1/22-26	20,000.00	5.00%				
			8/1/27-28	25,000.00	3.00%				
			8/1/29	25,000.00	3.13%				
			8/1/30	25,000.00	3.20%				
			8/1/31	25,000.00	3.25%				
						\$ 1,255,418.85	-	112,258.55	1,143,160.30

**GENERAL CAPITAL FUND
SCHEDULE OF (TYPE I) SCHOOL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2016		Int. Rate	Balance Dec. 31, 2015	Issued 2016	Decreased Paid 2016	Balance Dec. 31, 2016
			Date	Amount					
School Bonds	9/1/2010	230,778.00	9/1/17	32,511.00	2.000%	\$ 160,691.00		25,316.00	135,375.00
			9/1/18	33,577.00	2.250%				
			9/1/19	34,910.00	2.375%				
			9/1/20	34,377.00	2.500%				
School Bonds (Refunding)	2/7/2012	1,280,000.00	7/15/17	155,000.00	3.000%	990,000.00		150,000.00	840,000.00
			7/15/18	160,000.00	4.000%				
			7/15/19	170,000.00	4.000%				
			7/15/20	175,000.00	4.000%				
School Bonds (Refunding)	12/3/2014	1,615,000.00	8/01/17	165,000.00	3.000%	1,590,000.00		155,000.00	1,435,000.00
			8/01/18	165,000.00	3.000%				
			8/01/19	170,000.00	3.000%				
			8/01/20	175,000.00	3.000%				
			8/01/21	185,000.00	3.000%				
			8/01/22	185,000.00	3.000%				
			8/01/23	195,000.00	3.000%				
			8/01/24	195,000.00	3.000%				
						\$ 2,740,691.00	-	330,316.00	2,410,375.00
							Refunded	-	
							Paid	330,316.00	
								330,316.00	

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
Various General Improvements	10-2011	9/8/2011	7/28/2016	7/27/2017	2.000% \$	195,700.00		8,500.00	187,200.00
Various General Improvements	13-2012	8/7/2012	7/28/2016	7/27/2017	2.000%	214,065.00		11,500.00	202,565.00
Various Improvements to Schools	10-2013	7/10/2013	4/5/2016	4/4/2017	2.000%	2,265,000.00		55,000.00	2,210,000.00
Various Improvements to Schools	10-2013	4/8/2014	4/5/2016	4/4/2017	2.000%	1,237,000.00			1,237,000.00
Various General Improvements	14-2014	8/1/2014	7/28/2016	7/27/2017	2.000%	950,000.00			950,000.00
Various General Improvements	6-2015	7/30/2015	7/28/2016	7/27/2017	2.000%	950,000.00			950,000.00
Tax Appeal Refunding Bonds/Notes	7-2016	12/20/2016	12/20/2016	12/19/2017	1.370%	-	510,000.00		510,000.00
						\$ 5,811,765.00	510,000.00	75,000.00	6,246,765.00

**GENERAL CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Other	Balance Dec. 31, 2016
11-2009	Various General Improvements	\$ 223.00				223.00
8-2010	Stormwater Drain System Improvements (Construction of Clean Water Project)	494,069.00				494,069.00
10-2010	Various General Improvements	3,000.00				3,000.00
10-2011	Various General Improvements	1.00				1.00
15-2011	Refunding Bond Ordinance General Obligation Refunding Bonds School Refunding Bonds	700,000.00 240,000.00				700,000.00 240,000.00
13-2012	Various General Improvements	3.00				3.00
10-2013	Various Improvements to Schools	110,000.00				110,000.00
12-2014	Demolition of Poplar Avenue School and Related Improvements	606,000.00				606,000.00
7-2016	Tax Appeal Refunding Bonds	-	510,000.00	510,000.00		-
		<u>\$ 2,153,296.00</u>	<u>510,000.00</u>	<u>510,000.00</u>	<u>-</u>	<u>2,153,296.00</u>

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CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

GENERAL COMMENTS

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

N.J.S. 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 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 the aggregate of \$17,500 except by contract or agreement".

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

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

Purchase of Trailer Mounted Diesel Generator
ADA Improvements to Memorial Park
Fisher Woods Pump Station Ungrades
Reconstruction of Hamilton and Adams Avenues

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500 "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. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 7, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, R.S. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments; and

WHEREAS, R.S. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500;

NOW, THEREFORE, BE IT RESOLVED, by the Common Council of the City of Linwood, County of Atlantic, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge eight (8) percent per annum on the first \$1,500 of delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500, said amounts to be calculated from the date the tax is payable until the date of actual payment."

In addition, the governing body, on January 7, 2016, adopted the following resolution authorizing the allowance of a grace period before charging a penalty for late payment of taxes:

“WHEREAS, NJSA 54:4-67 allows the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to allow such a grace period of taxes, assessments and sewer charges;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood City Tax Collector is hereby duly authorized, empower and directed to charge a penalty starting on February 11, 2016 for the first quarter, May 11, 2016 for the second quarter, August 11, 2016 for the third quarter and November 11, 2016 for the fourth quarter.”

Further, the governing body on January 7, 2016, adopted the following resolution to impose a penalty on tax delinquencies in excess of \$10,000:

“WHEREAS, NJSA 54:4-67 allows the governing body to charge a taxpayer having a tax delinquency in excess of \$10,000 at the end of the calendar year, an amount not to exceed 6% of said delinquency; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to assess such a penalty;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood Tax Collector be and is hereby duly authorized, empowered and directed to charge a penalty in the amount of 6% for all delinquent taxes, assessments, or other municipal liens or charges in excess of \$10,000 which have not been paid prior to the end of this calendar year.”

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit. The last tax sale was held on April 18, 2016 and was complete,

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

<u>Year</u>	<u>Tax</u>	<u>Sewer</u>
2016	5	1
2015	6	1
2014	4	1

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

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2016 and 2017 Taxes	10
Delinquent Taxes	4
Payment of 2016 and 2017 Sewer Charges	10
Delinquent Sewer Charges	5
Tax Title Liens	2

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2016	\$ 31,653,760.36	31,071,506.95	98.16%
2015	31,883,649.00	31,036,195.00	97.34%
2014	31,300,665.00	30,613,776.00	97.80%
2013	31,080,217.00	30,452,480.00	97.98%
2012	29,853,838.00	29,062,734.00	97.35%

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	\$ 3.222	3.225	3.100	3.971	3.777
Apportionment of Tax Rate:					
Municipal	0.868	0.867	0.853	1.000	0.945
Municipal Library	0.033	0.035	0.034	0.045	0.048
County	0.465	0.472	0.438	0.579	0.490
Local School	1.211	1.203	1.156	1.547	1.510
Regional High School	0.645	0.648	0.629	0.800	0.784
Assessed Valuation	978,750,200	986,052,200	1,009,416,904	779,803,897	789,042,244

A revaluation of properties was performed in 2013 in order to bring the property values in line with their true value. The revaluation was effective for the 2014 tax year.

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total delinquent taxes and tax title liens, in relation to the tax levies of the last five years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2016	\$ 38,454.15	376,439.38	414,893.53	1.31%
2015	81,170.00	524,903.69	606,073.69	1.90%
2014	86,342.00	380,923.00	467,265.00	1.49%
2013	15,343.00	420,900.00	436,243.00	1.40%
2012	11,536.00	387,772.00	399,308.00	1.34%

RECOMMENDATIONS

NONE

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

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 12, 2017