

**BOROUGH OF WALLINGTON**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2016**

**BOROUGH OF WALLINGTON  
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
<b><u>PART I – Report on Audit of Financial Statements and Supplementary Schedules</u></b>		
	<b>Independent Auditor’s Report</b>	<b>1-3</b>
	<b>Financial Statements</b>	
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis – Current Fund	6
A-2	Statement of Revenues – Regulatory Basis – Current Fund	7-9
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	10-15
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	16
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	17
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis – General Capital Fund	18
D	Comparative Balance Sheets – Regulatory Basis - Water Utility Operating Fund	19-20
D-1	Comparative Statements of Operations and Changes in Operating Fund Balance – Regulatory Basis - Water Utility Operating Fund	21
D-2	Statement of Revenues – Regulatory Basis – Water Utility Operating Fund	22
D-3	Statement of Expenditures – Regulatory Basis - Water Utility Operating Fund	23
D-4	Comparative Statements of Changes in Fund Balance – Regulatory Basis – Water Utility Capital Fund	24
E	Comparative Balance Sheets – Regulatory Basis - General Fixed Assets Account Group	25
	Notes to Financial Statements	26-66
	<b>Supplementary Schedules</b>	
	<b><u>Current Fund</u></b>	
A-4	Statement of Cash - Collector-Treasurer	67
A-5	Statement of Change Fund	68
A-6	Statement of Petty Cash Fund	68
A-7	Statement of Due To State of New Jersey Senior Citizens' and Veterans' Deductions	69
A-8	Statement of Taxes Receivable and Analysis of Property Tax Levy	70
A-9	Statement of Tax Title Liens	71
A-10	Statement of Revenue Accounts Receivable	71
A-11	Statement of 2015 Appropriation Reserves	72-73
A-12	Statement of Encumbrances Payable	74
A-13	Statement of Prepaid Taxes	74
A-14	Statement of Tax Overpayments	75
A-15	Statement of County Taxes Payable	75
A-16	Statement of School Taxes Payable	75
A-17	Statement of Miscellaneous Fees Payable	76
A-18	Statement of Reserve for Revaluation	76
A-19	Statement of Deferred Charges N.J.S. 40A:4-55.3 Special Emergency Authorizations	77

**BOROUGH OF WALLINGTON  
TABLE OF CONTENTS  
(Continued)**

**Exhibits**

**Page**

**Supplementary Schedules (Continued)**

**Current Fund (Continued)**

A-20	Statement of Federal and State Grants Receivable	78
A-21	Statement of Appropriated Reserves for Federal and State Grants	79
A-22	Statement of Unappropriated Reserves for Federal and State Grants	80
A-23	Statement of Amount Due to Library – State Aid	81
A-24	Statement of Reserve for Codification of Ordinances	81
A-25	Statement of Deferred Charge – Expenditure of Appropriation Reserves	81

**Trust Funds**

B-1	Schedule of Trust Cash - Treasurer	82
B-2	Statement of Reserve for Animal Control Fund Expenditures – Animal Control Fund	83
B-3	Statement of Due to (From) State of New Jersey – Department of Health – Animal Control Fund	83
B-4	Statement of Due to Current Fund – Animal Control Fund	83
B-5	Statement of Other Reserves – Other Trust Fund	84
B-6	Statement of Reserve for Escrow Deposits – Other Trust Fund	84
B-7	Statement of Due To Current Fund – Other Trust Fund	85
B-8	Statement of Reserve for Unemployment Compensation Insurance Claims – Other Trust Fund	85
B-9	Statement of Reserve for Payroll Salaries and Withholdings – Other Trust Fund	86
B-10	Statement of Due to Water Utility Operating Fund – Other Trust Fund	86

**General Capital Fund**

C-2	Statement of General Capital Cash - Treasurer	87
C-3	Analysis of General Capital Cash	88
C-4	Statement of Grants Receivable - General Capital Fund	89
C-5	Statement of Due from Water Utility Capital Fund – General Capital Fund	89
C-6	Statement of Due from Current Fund – General Capital Fund	90
C-7	Statement of Deferred Charges to Future Taxation – Funded – General Capital Fund	90
C-8	Statement of Deferred Charges to Future Taxation – Unfunded – General Capital Fund	91
C-9	Statement of Capital Improvement Fund – General Capital Fund	92
C-10	Statement of Improvement Authorizations	93
C-11	Statement of Reserve for Grants Receivable – General Capital Fund	94
C-12	Statement of Serial Bonds Payable – General Capital Fund	95
C-13	Statement of New Jersey Green Acres Loan Payable – General Capital Fund	96
C-14	Statement of Bond Anticipation Notes Payable – General Capital Fund	97
C-15	Statement of Reserve for Purchase of Fire Equipment – General Capital Fund	98
C-16	Statement of Encumbrances Payable – General Capital Fund	98
C-17	Statement of Bonds and Notes Authorized But Not Issued – General Capital Fund	99

**BOROUGH OF WALLINGTON**  
**TABLE OF CONTENTS**  
**(Continued)**

**Exhibits**

**Page**

**Supplementary Schedules (Continued)**

**Water Utility Fund**

D-5	Statement of Cash - Treasurer	100
D-6	Statement of Cash – Water Collector	100
D-7	Analysis of Water Utility Capital Cash	101
D-8	Statement of Change Fund - Water Utility Operating Fund	102
D-9	Statement of Consumer Accounts Receivable – Water Utility Operating Fund	102
D-10	Statement of Water Utility Liens Receivable – Water Utility Operating Fund	103
D-11	Statement of Due from Water Utility Operating Fund – Water Utility Capital Fund	104
D-12	Statement of Fixed Capital – Water Utility Capital Fund	104
D-13	Statement of Fixed Capital Authorized and Uncompleted – Water Utility Capital Fund	105
D-14	Statement of 2015 Appropriation Reserves – Water Utility Operating Fund	106
D-15	Statement of Equipment Reserves – Water Utility Operating Fund	107
D-16	Statement of Due from General Capital Fund – Water Utility Operating Fund	107
D-17	Statement of Due to Current Fund – Water Utility Operating Fund	107
D-18	Statement of Improvement Authorizations - Water Utility Capital Fund	108
D-19	Statement of Capital Improvement Fund – Water Utility Capital Fund	109
D-20	Statement of Reserve for Amortization – Water Utility Capital Fund	109
D-21	Statement of Deferred Reserve for Amortization - Water Utility Capital Fund	110
D-22	Statement of Accrued Interest on Bonds and Notes – Water Utility Operating Fund	111
D-23	Statement of Encumbrances Payable – Water Utility Operating Fund	112
D-24	Statement of Serial Bonds Payable – Water Utility Capital Fund	113
D-25	Statement of Bond Anticipation Notes Payable – Water Utility Capital Fund	114
D-26	Statement of Grants Receivable – Water Utility Capital Fund	115
D-27	Statement of Encumbrances Payable – Water Utility Capital Fund	115
D-28	Statement of Overexpenditure of Ordinance Appropriation – Water Utility Capital Fund	116
D-29	Statement of Bonds and Notes Authorized But Not Issued – Water Utility Capital Fund	117

**Part II – Government Auditing Standards**

Report on Internal Control Over Financial Reporting and on Compliance and and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	118-119
Schedule of Expenditures of Federal Awards	120
Schedule of Expenditures of State Financial Assistance	121
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	122-123
Schedule of Findings and Responses	124-129
Summary Schedule of Prior Year Audit Findings	130

**BOROUGH OF WALLINGTON**  
**TABLE OF CONTENTS**  
**(Continued)**

	<u>Page</u>
 <b><u>Part III – Supplementary Data and Letter of Comments and Recommendations</u></b>	
Comparative Statement of Operations and Changes in Fund Balance - Current Fund	131
Comparative Statement of Operations and Changes in Fund Balance Water Utility Operating Fund	132
Comparative Schedule of Tax Rate Information	133
Comparison of Tax Levies and Collection Currently	133
Delinquent Taxes and Tax Title Liens	134
Comparison of Water Utility Billings	134
Comparative Schedule of Fund Balances	134
Officials in Office and Surety Bonds as of December 31, 2016	135
General Comments	136-138
Suggestions to Management	138
Recommendations	139-140

**BOROUGH OF WALLINGTON**

**COUNTY OF BERGEN**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA, PSA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the Borough Council  
Borough of Wallington  
Wallington, 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 Borough of Wallington, as of December 31, 2016 and 2015, and the related statements 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. 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 audits. We conducted our audits 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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Borough of Wallington on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws 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 financial reporting requirements of the State of New Jersey for municipal government entities.

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 Borough of Wallington as of December 31, 2016 and 2015, or changes in financial position, or, where applicable, cash flows for the years then ended.

#### ***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 44 percent and 46 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

#### ***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Wallington as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2016 in accordance with the financial accounting and reporting provisions and practices 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 an opinion on the financial statements of the Borough of Wallington as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Wallington.



The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

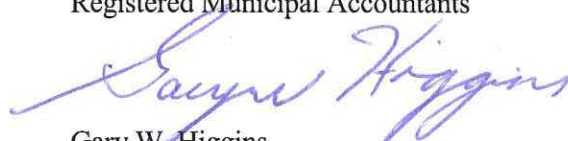
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2017 on our consideration of the Borough of Wallington'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 Borough of Wallington's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
July 25, 2017

**BOROUGH OF WALLINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash - Collector - Treasurer	A-4	\$ 3,738,412	\$ 3,687,845
Cash - Change Fund	A-5	100	100
Cash - Petty Cash	A-6	100	100
Federal and State Grants Receivable	A-20	<u>34,365</u>	<u>34,365</u>
		<u>3,772,977</u>	<u>3,722,410</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	1,022,776	547,158
Tax Title Liens Receivable	A-9	372,091	372,091
Due from Other Trust Fund	B-7	161,900	353,927
Due from Animal Control Fund	B-4	20,200	17,826
Due from Water Utility Operating Fund	D-17	-	327,542
Revenue Accounts Receivable	A-10	<u>10,313</u>	<u>13,530</u>
		<u>1,587,280</u>	<u>1,632,074</u>
Deferred Charges:			
Special Emergency Authorizations	A-19	-	4,600
Overexpenditure of Appropriations	A-25	<u>33,910</u>	<u>31,728</u>
		<u>33,910</u>	<u>36,328</u>
Total Assets		<u>\$ 5,394,167</u>	<u>\$ 5,390,812</u>

**BOROUGH OF WALLINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,A-11	\$ 401,942	\$ 515,350
Encumbrances Payable	A-12	260,010	390,083
Reserve for Revaluation	A-18	2,770	2,770
Reserve for Codification of Ordinances	A-24	10,925	10,925
Appropriated Reserves for Federal and State Grants	A-21	311,021	302,848
Unappropriated Reserves for Federal and State Grants	A-22	44,770	26,172
Prepaid Taxes	A-13	167,033	106,374
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-7	688	188
County Taxes Payable	A-15	15,611	1,679
Miscellaneous Fees Payable	A-17	475	2,009
Due to General Capital Fund	C-6	578,569	804,279
Due to Water Utility Operating Fund	D-17	752,653	
Amount Due to Library - State Aid	A-23	14,850	14,850
Tax Overpayments	A-14	<u>36,565</u>	<u>26,604</u>
		2,597,882	2,204,131
Reserve for Receivables	A	1,587,280	1,632,074
Fund Balance	A-1	<u>1,209,005</u>	<u>1,554,607</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 5,394,167</u>	<u>\$ 5,390,812</u>

**BOROUGH OF WALLINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 585,000	\$ 657,894
Miscellaneous Revenues	A-2	2,173,205	1,723,274
Receipts from Delinquent Taxes	A-2	479,849	463,790
Receipts from Current Taxes	A-2	26,191,660	25,315,976
Non-Budget Revenues	A-2	162,965	1,266,264
Other Credits to Income:			
Interfunds Liquidated	A	3,000	150,884
Unexpended Balance of Appropriation Reserves	A-11	<u>262,285</u>	<u>89,347</u>
Total Income		<u>29,857,964</u>	<u>29,667,429</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	3,869,853	3,761,844
Other Expenses	A-3	5,140,644	4,994,310
Capital Improvements	A-3	60,000	
Municipal Debt Service	A-3	872,311	839,536
Deferred Charges and Statutory			
Expenditures	A-3	948,668	953,295
Judgments	A-1		33,722
Local District School Tax	A-16	16,044,883	14,895,129
County Tax	A-15	2,338,895	2,275,687
County Share of Added and Omitted Taxes	A-15	16,286	2,354
County Open Space Tax	A-15	24,254	24,052
Prior Year Tax Appeals Granted	A-4	279,116	94,489
Refund of Prior Year Revenue	A-4	18,548	58,851
Interfunds Established	A	<u>7,290</u>	<u>684,604</u>
Total Expenditures		<u>29,620,748</u>	<u>28,617,873</u>
Excess of Revenues over Expenditures		237,216	1,049,556
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	<u>2,182</u>	<u>31,728</u>
Statutory Excess to Fund Balance		239,398	1,081,284
FUND BALANCE, JANUARY 1	A	<u>1,554,607</u>	<u>1,131,217</u>
		1,794,005	2,212,501
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>585,000</u>	<u>657,894</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 1,209,005</u>	<u>\$ 1,554,607</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

		2016 <u>Anticipated</u>		2016	Excess or
	<u>Reference</u>	<u>Budget</u>	<u>NJS 40A:4-87</u>	<u>Realized</u>	<u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 585,000	-	\$ 585,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-10	15,900		16,946	\$ 1,046
Other	A-2	9,600		10,849	1,249
Fees and Permits					
Other	A-2	16,800		9,574	(7,226)
Fines and Costs					
Municipal Court	A-10	178,000		169,130	(8,870)
Interest and Costs on Taxes	A-10	93,000		127,827	34,827
Interest on Investments and Deposits	A-2	11,000		23,839	12,839
Energy Receipts Tax	A-10	602,475		602,475	-
Consolidated Municipal Property Tax Relief	A-10	70,979		70,979	-
Uniform Construction Code Fees	A-10	103,000		200,132	97,132
State and Federal Revenues Offset with Appropriations					
Fire Prevention Education	A-20		\$ 500	500	
Reserve for Clean Communities Program	A-20, A-22	19,923	22,722	42,645	
Reserve for Municipal Alliance on Alcoholism and Drug Abuse	A-22	3,322		3,322	
Reserve for Body Armor Grant	A-22	2,184		2,184	
Reserve for Municipal Recycling Grant	A-22	95		95	
Reserve for Alcohol Education & Rehabilitation	A-22	648		648	
Other Special Items					
Uniform Safety Act	A-10	12,800		13,140	340
Reserve Due from Other Trust Fund	B-7	196,943		196,943	-
Reserve Due from Water Operating Fund	D-17	324,542		324,542	-
Contribution from Board of Education	A-10	125,000		125,000	-
Cell Tower Rental Fee	A-10	48,000		99,087	51,087
CATV Franchise Fee	A-10	133,348	-	133,348	-
Total Miscellaneous Revenues	A-1	1,967,559	23,222	2,173,205	182,424
Receipts from Delinquent Taxes	A-2	482,800	-	479,849	(2,951)

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

		2016 <u>Anticipated</u>		2016	Excess or
	<u>Reference</u>	<u>Budget</u>	Added by: <u>NJS 40A:4-87</u>	<u>Realized</u>	<u>(Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax For Municipal Purposes Including					
Reserve for Uncollected Taxes		\$ 8,319,377		\$ 8,226,624	\$ (92,753)
Minimum Library Tax		<u>320,718</u>	<u>-</u>	<u>320,718</u>	<u>-</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>8,640,095</u>	<u>-</u>	<u>8,547,342</u>	<u>(92,753)</u>
Total General Revenue	A-3	<u>\$ 11,675,454</u>	<u>\$ 23,222</u>	11,785,396	<u>\$ 86,720</u>
Non-Budget Revenue	A-1,A-2			<u>162,965</u>	
				<u>\$ 11,948,361</u>	

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

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 26,191,660
Allocated to		
School and County Taxes	A-15,A-16	<u>18,424,318</u>
		7,767,342
Add: Appropriation for Reserve for		
Uncollected Taxes	A-3	<u>780,000</u>
Amount for Support of Municipal Budget		
Appropriations	A-2	<u>\$ 8,547,342</u>
<b>Analysis of Delinquent Taxes</b>		
Taxes Receivable	A-8	<u>\$ 479,849</u>
	A-2	<u>\$ 479,849</u>
<b>Licenses - Other</b>		
Borough Clerk	A-10	\$ 4,960
Registrar of Vital Statistics	A-10	469
Board of Health	A-10	<u>5,420</u>
	A-2	<u>\$ 10,849</u>
<b>Fees and Permits - Other</b>		
Borough Clerk	A-10	\$ 4,220
Registrar of Vital Statistics	A-10	16
Fire Prevention	A-10	3,589
Planning and Zoning Boards	A-10	1
Board of Health	A-10	1,256
Police	A-10	<u>492</u>
	A-2	<u>\$ 9,574</u>
<b>Interest on Investments</b>		
Revenue Accounts Receivable	A-10	\$ 17,035
Due from Animal Control Fund	B-4	89
Due from Other Trust Fund	B-7	5,749
Due from General Capital Fund	C-6	<u>966</u>
	A-2	<u>\$ 23,839</u>
<b>Non-Budget Revenue</b>		
Copies of Tax Bills		\$ 156
DPW Scrap Iron		924
DMV Fines		580
Photocopies		319
Police Outside Duty Admin. Fees		74,408
Police Reports		1,361
Administrative Fee - Senior Citizen & Veterans		1,410
FEMA Reimbursement		30,159
Town Historian		17,281
Certified Copies		8,315
Workman's Compensation Refunds		8,087
Statutory Excess - Animal Control Fund		2,370
Other Miscellaneous		<u>17,595</u>
	A-2	<u>\$ 162,965</u>
<b>Non-Budget Revenues</b>		
Cash Receipts	A-4	\$ 81,187
Due from Other Trust Fund - Police Outside Duty Admin. Fees	B-7	74,408
Due from Animal Control Fund - Statutory Excess	B-4	2,370
Due from General Capital Fund	C-6	<u>5,000</u>
	A-2	<u>\$ 162,965</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2016 Appropriated</u>		<u>2016 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT						
Mayor and Council						
Salaries and Wages	\$ 20,100	\$ 20,100	\$ 19,914	\$ 186		
Municipal Clerk/Elections						
Salaries and Wages	160,442	172,442	172,422	20		
Other Expenses	55,000	79,000	76,758	2,242		
Financial Administration						
Salaries and Wages	28,216	28,716	28,701	15		
Other Expenses	47,000	52,000	49,755	2,245		
Audit Services	12,000	12,000	12,000	-		
Revenue Administration						
Salaries and Wages	64,533	64,533	54,880	9,653		
Other Expenses	13,000	13,000	12,654	346		
Assessment Administration						
Salaries and Wages	14,668	14,668	14,520	148		
Other Expenses	20,000	20,000	1,050	18,950		
Legal Service and Costs						
Salaries and Wages	4,350			-		
Other Expenses	170,000	146,000	128,007	17,993		
Engineering Services and Costs						
Salaries and Wages	450	450		450		
Other Expenses	16,000	31,000	28,461	2,539		
Planning Board						
Salaries and Wages	3,569	3,769	3,707	62		
Other Expenses	7,800	7,800	5,170	2,630		
Zoning Board of Adjustment						
Salaries and Wages	1,560	1,660	1,620	40		
Other Expenses	6,000	6,900	6,830	70		
Insurance						
Unemployment Insurance	1,000	1,000		1,000		
Employee Group Insurance	1,583,808	1,557,258	1,553,469	3,789		
Health Benefit Waiver	10,000	10,000		10,000		
Liability	22,150	22,150	13,625	8,525		
Liability (South Bergen JIF)	224,100	164,100	154,792	9,308		
Worker's Compensation (South Bergen JIF)	207,100	167,100	160,574	6,526		
PUBLIC SAFETY FUNCTIONS						
Police						
Salaries and Wages	3,018,726	3,079,726	2,933,672	146,054		
Other Expenses	165,000	165,000	164,089	911		
Fire						
Other Expenses	185,000	185,000	183,364	1,636		
EMS						
Other Expenses	30,000	30,000	32,182	-		\$ 2,182
Uniform Fire Safety						
Salaries and Wages	14,566	14,566	14,566	-		
Other Expenses	1,000	1,700	1,631	69		
Fire Prevention Bureau						
Other Expenses	20,000	26,500	25,838	662		
Emergency Management Services						
Other Expenses	1,000	1,000	-	1,000		

The Accompanying Notes are an Integral Part of these Financial Statements



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

	<u>2016 Appropriated</u>		<u>2016 Expended</u>		<u>Cancelled</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Cont'd)						
PUBLIC SAFETY FUNCTIONS (Cont'd)						
Municipal Prosecutor						
Salaries and Wages	\$ 9,880	\$ 10,280	\$ 10,246	\$ 34		
Public Defender						
Other Expenses	5,000	5,000		5,000		
PUBLIC WORK FUNCTIONS						
Streets and Roads Maintenance						
Salaries and Wages	175,481	175,481	133,643	41,838		
Other Expenses	75,000	86,000	80,269	5,731		
Shade Tree						
Other Expenses	4,700	4,700	4,507	193		
Solid Waste Collection (Garbage and Trash, Recycling)						
Salaries and Wages	5,000	5,200	5,192	8		
Other Expenses	540,000	585,000	580,580	4,420		
Buildings and Grounds						
Other Expenses	65,000	65,000	59,714	5,286		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	97,187	97,187	96,989	198		
Other Expenses	29,000	30,200	30,018	182		
Animal Control Services						
Other Expenses	8,300	8,400	8,324	76		
PARK AND RECREATION FUNCTIONS						
Board of Recreation Commissioners (R.S. 40-17.1)						
Salaries and Wages	42,879	42,879	33,086	9,793		
Other Expenses	47,000	47,000	46,984	16		
Senior Citizens						
Other Expenses	5,000	5,000	1,286	3,714		
Maintenance of Parks						
Other Expenses	21,000	21,000	17,111	3,889		
Celebration of Public Events						
Other Expenses	8,000	8,000	5,841	2,159		
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)						
Construction Code Official						
Salaries and Wages	65,402	65,402	63,511	1,891		
Other Expenses	3,500	5,500	4,325	1,175		
Other Code Enforcement and Functions						
Rent Leveling Board						
Salaries and Wages	1,560	1,660	1,560	100		
Parking Sticker Program						
Salaries and Wages	30,000					
Other Expenses	35,000					

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

	<u>2016 Appropriated</u>		<u>2016 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
OPERATIONS - WITHIN "CAPS" (Continued)						
UTILITIES						
Electricity	\$ 85,000	\$ 85,000	\$ 84,861	\$ 139		
Street Lighting	84,000	115,000	114,162	838		
Communications	40,000	40,000	34,112	5,888		
Sewerage Processing and Disposal						
Other Expenses	35,000	35,000	32,690	2,310		
Gasoline	50,000	68,000	67,647	353		
Salary and Wage Adjustment	15,000			-		
Municipal Court						
Salaries and Wages	79,134	71,134	68,783	2,351		
Other Expenses	10,000	18,000	12,723	5,277	-	-
Total Operations Within "CAPS"	<u>7,800,161</u>	<u>7,800,161</u>	<u>7,452,415</u>	<u>349,928</u>	<u>-</u>	<u>\$ 2,182</u>
Detail:						
Salaries and Wages	3,852,703	3,869,853	3,657,012	212,841		
Other Expenses	<u>3,947,458</u>	<u>3,930,308</u>	<u>3,795,403</u>	<u>137,087</u>	<u>-</u>	<u>2,182</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Prior Years Bills						
Borough of Lodi-Gas & Diesel - 2013 and 2014	6,600	6,600	6,226		\$ 374	
Chief Fire Equipment & Service - 2014	192	192	-		192	
Job & Job Consulting Engineers - 2010,2011,2012 & 2013	18,717	18,717	18,717		-	
Social Security System (O.A.S.I.)	140,000	140,000	126,724	13,276		
Public Employees' Retirement System	86,928	86,928	86,928	-		
Police and Firemen's Retirement System	640,705	640,705	640,705	-		
Police and Firemen's Retirement System - ERIP	35,582	35,582	35,582	-		
Public Employees' Retirement System - ERIP	<u>15,910</u>	<u>15,910</u>	<u>15,210</u>	<u>700</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>944,634</u>	<u>944,634</u>	<u>930,092</u>	<u>13,976</u>	<u>566</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>8,744,795</u>	<u>8,744,795</u>	<u>8,382,507</u>	<u>363,904</u>	<u>566</u>	<u>2,182</u>

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

	2016 Appropriated		2016 Expended			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
Passaic Valley Sewerage Commission	\$ 701,042	\$ 701,042	\$ 701,042			
East Rutherford Sewer Fees	6,500	6,500		\$ 6,500		
Recycling Tax Appropriation	11,800	11,800		11,800		
Maintenance of Free Public Library	320,718	320,718	318,958	1,760		
Interlocal Services Agreement (County of Bergen)-911	8,700	8,700	8,501	199		
Length of Service Award Program (LOSAP)	110,000	110,000	92,221	17,779	-	-
Total Other Operations Excluded from "CAPS"	1,158,760	1,158,760	1,120,722	38,038	-	-
<b>Public and Private Programs Offset by Revenues</b>						
Reserve for Clean Communities Program	19,923	42,645	42,645	-		
Reserve for Alcohol Education and Rehabilitation	648	648	648	-		
Reserve for Body Armor Replacement Program	2,184	2,184	2,184	-		
Reserve for Municipal Alliance on Alcoholism	3,322	3,322	3,322	-		
Reserve for Municipal Recycling Grant	95	95	95	-		
Reserve for Fire Prevention Education	-	500	500	-	-	-
Total Public and Private Programs Offset by Revenues	26,172	49,394	49,394	-	-	-
Total Operations Excluded from "CAPS"	1,184,932	1,208,154	1,170,116	38,038	-	-
Detail:						
Other Expenses	1,184,932	1,208,154	1,170,116	38,038	-	-
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>						
Capital Improvement Fund	60,000	60,000	60,000	-	-	-
Total Capital Improvements Excluded from "CAPS"	60,000	60,000	60,000	-	-	-
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>						
Payment of Bond Principal	425,000	425,000	425,000	-		
Payment of Bond Anticipation Notes	182,692	182,692	153,876	-	\$ 28,816	
Interest on Bonds	260,030	260,030	260,030	-		
Interest on Notes	20,284	20,284	20,284	-	-	
Green Trust Loan Program:						
Loan Repayments of Principal and Interest	13,121	13,121	13,121	-	-	-
Total Municipal Debt Service Excluded from "CAPS"	901,127	901,127	872,311	-	28,816	-

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

	<u>2016 Appropriated</u>		<u>2016 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
DEFERRED CHARGES						
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55.1 & 40A:4-55.13)	\$ 4,600	\$ 4,600	\$ 4,600	-	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	4,600	4,600	4,600	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,150,659	2,173,881	2,107,027	\$ 38,038	\$ 28,816	-
Subtotal General Appropriations	10,895,454	10,918,676	10,489,534	401,942	29,382	\$ 2,182
Reserve for Uncollected Taxes	780,000	780,000	780,000	-	-	-
Total General Appropriations	\$ 11,675,454	\$ 11,698,676	\$ 11,269,534	\$ 401,942	\$ 29,382	\$ 2,182
<u>Reference</u>	A-2	A-2		A		A-28
Adopted Budget		\$ 11,675,454				
Added by NJS 40A:4-87		23,222				
		<u>\$ 11,698,676</u>				

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

	<u>Reference</u>	<u>Paid or Charged</u>
Cash Disbursed	A-4	\$ 10,056,526
Less: Refunds Due from Other Trust-Police Outside Duty	B-7	<u>119,592</u>
		<u>9,936,934</u>
Encumbrances Payable	A-12	260,010
Deferred Charges:		
Special Emergency Appropriations	A-19	4,600
Due to General Capital Fund		
Expenditures Paid by General Capital Fund	C-6	174,160
Capital Improvement Fund	C-6	60,000
Transferred to Appropriated Grant Reserves	A-21	49,394
Due to Other Trust Fund - Expenditures paid by Other Trust Fund	B-9	4,436
Reserve for Uncollected Taxes	A-2	<u>780,000</u>
		<u>\$ 11,269,534</u>

**BOROUGH OF WALLINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	\$ 25,740	\$ 22,972
Due from State of New Jersey - Department of Health	B-3	<u>7</u>	<u>-</u>
Total Assets		<u>25,747</u>	<u>22,972</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	<u>1,303,239</u>	<u>1,135,893</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)</b>			
Investments	B	969,509	884,014
Intergovernmental Receivable	B	<u>92,221</u>	<u>103,699</u>
		<u>1,061,730</u>	<u>987,713</u>
Total Assets		<u>\$ 2,390,716</u>	<u>\$ 2,146,578</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey - Department of Health	B-3		\$ 1
Due to Current Fund	B-4	\$ 20,200	17,826
Reserve for Animal Control Expenditures	B-2	<u>5,547</u>	<u>5,145</u>
		<u>25,747</u>	<u>22,972</u>
<b>OTHER TRUST FUND</b>			
Reserve for Escrow Deposits	B-6	3,850	3,850
Payroll Deductions Payable	B-9	68,232	121,533
Due to Current Fund	B-7	161,900	353,927
Other Reserves	B-5	1,021,183	614,067
Due to Water Utility Operating Fund	B-10	14,805	14,805
Reserve for Unemployment Compensation Ins. Claims	B-8	<u>33,269</u>	<u>27,711</u>
		<u>1,303,239</u>	<u>1,135,893</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)</b>			
Reserve for LOSAP Benefits	B	<u>1,061,730</u>	<u>987,713</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,390,716</u>	<u>\$ 2,146,578</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WALLINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 360,821	\$ 640,828
Due from Current Fund	C-6	578,569	804,279
Due from Water Utility Capital Fund	C-5	1,830,010	1,468,896
Grants Receivable	C-4	618,606	623,112
Deferred Charges to Future Taxation:			
Funded	C-7	6,730,837	7,167,308
Unfunded	C-8	<u>4,824,947</u>	<u>3,777,329</u>
 Total Assets		 <u>\$ 14,943,790</u>	 <u>\$ 14,481,752</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	C-12	\$ 6,657,000	\$ 7,082,000
Bond Anticipation Notes Payable	C-14	3,532,099	3,289,870
Green Acres Loan Payable	C-13	73,837	85,308
Improvement Authorizations			
Funded	C-10	410,056	517,240
Unfunded	C-10	934,995	1,338,460
Reserve for Grants Receivable	C-11	571,212	575,718
Due to Water Utility Operating Fund	D-16	1,250,802	1,217,802
Capital Improvement Fund	C-9	15,702	19,702
Encumbrances Payable	C-16	1,435,282	292,847
Reserve for Purchase of Fire Equipment	C-15	11,595	11,595
Fund Balance	C-1	<u>51,210</u>	<u>51,210</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 14,943,790</u>	 <u>\$ 14,481,752</u>

There were bonds and notes authorized but not issued at December 31, 2016 and 2015 of \$1,362,354 and \$487,459 respectively (Exhibit C-17).

**BOROUGH OF WALLINGTON**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Fund Balance, January 1	C	\$ 51,210	\$ 26,984
Increased By:			
Due from Current Fund -Receipt on Fully Funded Ordinance	C-1	<u>-</u>	<u>24,226</u>
Fund Balance, December 31	C	<u>\$ 51,210</u>	<u>\$ 51,210</u>



**BOROUGH OF WALLINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**WATER UTILITY OPERATING FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash - Treasurer	D-5	\$ 990,470	\$ 2,063,745
Change Fund - Collector	D-8	100	100
Due from General Capital Fund	D-16	1,250,802	1,217,802
Due from Current Fund	D-17	752,653	
Due from Other Trust Fund	B-10	<u>14,805</u>	<u>14,805</u>
		<u>3,008,830</u>	<u>3,296,452</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-9	285,189	235,150
Water Utility Liens Receivable	D-10	<u>10,670</u>	<u>10,670</u>
		<u>295,859</u>	<u>245,820</u>
Total Assets		<u>\$ 3,304,689</u>	<u>\$ 3,542,272</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	D-3,D-14	\$ 232,310	\$ 265,166
Encumbrances Payable	D-23	79,012	70,991
Accrued Interest on Bonds and Loans	D-22	10,490	9,888
Due to Water Utility Capital Fund	D-11	2,397,916	2,397,918
Due to Current Fund	D-17	-	327,542
Equipment Reserves	D-15	<u>3,862</u>	<u>3,862</u>
		2,723,590	3,075,367
Reserve for Receivables	D	295,859	245,820
Fund Balance	D-1	<u>285,240</u>	<u>221,085</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,304,689</u>	<u>\$ 3,542,272</u>

**BOROUGH OF WALLINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**WATER UTILITY CAPITAL FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	D-5,D-7	\$ 13,866	\$ 13,864
Fixed Capital	D-12	6,388,071	6,168,332
Fixed Capital Authorized and Uncompleted	D-13	2,740,000	2,955,000
Due from Water Utility Operating Fund	D-11	2,397,916	2,397,918
Overexpenditure of Ordinance Appropriations	D-28	85,108	80,369
Grants Receivable	D-26	<u>40,200</u>	<u>40,200</u>
Total Assets		<u>\$ 11,665,161</u>	<u>\$ 11,655,683</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	D-24	\$ 133,000	\$ 193,000
Bond Anticipation Note Payable	D-25	4,971,901	5,025,130
Improvement Authorizations - Funded	D-18	25,045	24,776
Improvement Authorizations - Unfunded	D-18	383,530	423,949
Reserve for			
Amortization	D-20	3,573,712	3,445,444
Deferred Amortization	D-21	369,000	379,300
Grants Receivable	D-26	40,200	40,200
Due to General Capital Fund	C-5	1,830,010	1,468,896
Capital Improvement Fund	D-19	54,059	54,059
Encumbrances Payable	D-27	<u>284,704</u>	<u>600,929</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 11,665,161</u>	<u>\$ 11,655,683</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2016 and 2015 of \$80,458 and \$80,458 respectively (Exhibit D-29).

**BOROUGH OF WALLINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE**  
**REGULATORY BASIS - WATER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-2	\$ 158,374	\$ 222,000
Rents	D-2	1,983,393	2,011,276
Fire Hydrant Service	D-2	40,046	47,807
Miscellaneous Revenue Anticipated	D-2	7,536	5,763
Capital Improvement Fund	D-1		122,428
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-14	<u>248,554</u>	<u>327</u>
Total Revenues		<u>2,437,903</u>	<u>2,409,601</u>
<b>EXPENDITURES</b>			
Operating			
Salaries and Wages	D-3	449,725	440,907
Other Expenses	D-3	1,538,000	1,538,373
Deferred Charges and Statutory Expenditures	D-3	75,500	292,292
Debt Service	D-3	<u>152,149</u>	<u>118,813</u>
Total Expenditures		<u>2,215,374</u>	<u>2,390,385</u>
Statutory Excess to Fund Balance		222,529	19,216
FUND BALANCE, JANUARY 1	D	<u>221,085</u>	<u>\$ 423,869</u>
		443,614	443,085
Decreased by:			
Utilized by Water Operating Budget	D-1	<u>158,374</u>	<u>222,000</u>
FUND BALANCE, DECEMBER 31	D	<u>\$ 285,240</u>	<u>\$ 221,085</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**WATER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Reference</u>	2016 Anticipated <u>Budget</u>	2016 <u>Realized</u>	Excess or ( <u>Deficit</u> )
Fund Balance Anticipated	D-1	\$ 158,374	\$ 158,374	
Rents	D-1,D-6	2,010,000	1,983,393	\$ (26,607)
Fire Hydrant Service	D-1,D-5	42,000	40,046	(1,954)
Miscellaneous Charges	D-1,D-2	<u>5,000</u>	<u>7,536</u>	<u>2,536</u>
		<u>\$ 2,215,374</u>	<u>\$ 2,189,349</u>	<u>\$ (26,025)</u>
	<u>Reference</u>	D-3	D-1	

Analysis of Miscellaneous Charges

	<u>Reference</u>	
Interest Earnings Received in Water Utility Capital Fund	D-11	\$ 48
Miscellaneous Cash Receipts	D-5	<u>7,488</u>
	D-2	<u>\$ 7,536</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**WATER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u> <u>Appropriated</u>		<u>2016 Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries	\$ 449,725	\$ 449,725	\$ 404,765	\$ 44,960
Other Expenses	1,538,000	1,538,000	1,359,767	178,233
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Statutory Charges:				
Contribution to:				
Public Employee Retirement System	50,000	50,000	50,000	
Social Security System (O.A.S.I.)	25,500	25,500	16,383	9,117
DEBT SERVICE				
Payment of Bond Principal	60,000	60,000	60,000	
Payment of Note Principal	53,229	53,229	53,229	
Interest on Bonds	7,720	7,720	7,720	
Interest on Notes	31,200	31,200	31,200	-
Total Water Utility Appropriations	<u>\$ 2,215,374</u>	<u>\$ 2,215,374</u>	<u>\$ 1,983,064</u>	<u>\$ 232,310</u>

<u>Reference</u>	D-2	D-2	D
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	<u>Reference</u>	<u>Paid or Charged</u>
Cash Disbursements	D-5	\$ 1,544,943
Encumbrances Payable	D-23	79,012
Due to Current Fund	D-17	319,805
Accrued Interest	D-22	39,304
		<u>\$ 1,983,064</u>

**BOROUGH OF WALLINGTON  
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS  
WATER UTILITY CAPITAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOT APPLICABLE**

**BOROUGH OF WALLINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
General Fixed Assets		
Land	\$ 6,838,518	\$ 6,838,518
Buildings and Building Improvements	1,677,892	1,677,892
Vehicles and Machinery and Equipment	<u>5,947,482</u>	<u>5,523,200</u>
	<u>\$ 14,463,892</u>	<u>\$ 14,039,610</u>
 <b>LIABILITIES</b>		
Investment in General Fixed Assets	<u>\$ 14,463,892</u>	<u>\$ 14,039,610</u>

The Accompanying Notes are an Integral Part of these Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Wallington (the "Borough") was incorporated in 1896 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer emergency squad which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**B. Description of Regulatory Basis of Accounting**

The financial statements of the Borough of Wallington have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

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

The Borough has the following funds and account group:

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

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

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

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

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

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

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the water utility fund. The Borough's infrastructure is not reported in the account group.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

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

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2015 balances to conform to the December 31, 2016 presentation.

**Financial Statements – Regulatory Basis**

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

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Wallington follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

**Utility Revenues/Receivables** - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

**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. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Deferred Charges** – Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

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

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

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

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

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

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

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

General Fixed Assets purchased after December 31, 2011 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**General Fixed Assets (Continued)**

General Fixed Assets purchased prior to December 31, 2011 are stated as follows:

Land and Buildings	1985 Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

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

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Trust Funds  
Capital Funds

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgets and Budgetary Accounting (Continued)**

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016, the Borough Council increased the original budget by \$23,222. The increase was funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2016 and 2015.

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<b><u>2016</u></b>			
Current Fund - 2016 Appropriations			
EMS - Other Expenses	\$ 30,000	\$ 32,182	\$ 2,182
Water Utility Capital Fund			
Overexpenditure of Ordinance Appropriation - Ord. 14-13	695,000	775,620	80,620
Overexpenditure of Ordinance Appropriation - Ord. 15-5	215,000	219,488	4,488
	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<b><u>2015</u></b>			
Current Fund - 2015 Appropriations			
Fire - Other Expenses	\$ 215,000	\$ 222,893	\$ 7,893
Solid Waste Collection (Garbage and Trash, Recycling) - Other Expenses	535,000	558,835	23,835
Water Utility Capital Fund			
Overexpenditure of Ordinance Appropriation - Ord. 14-13	695,000	775,369	80,369

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

**C. Deficit Reserves**

The Borough has an accumulated deficit of \$682 in the Police Vests Reserve reported within the Other Trust Fund. The Borough funded this deficit through a budget contribution in the 2017 budget.

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

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits**

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Borough's deposits were \$6,432,848 and \$7,565,447 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,886,437 and \$8,464,102, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2016</u>	<u>2015</u>
Insured	\$ 6,886,437	\$ 8,464,102

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 Borough does not have a formal policy for custodial credit risk. As of December 31, 2016 and 2015, none of the Borough's bank balances were exposed to custodial credit risk.

**B. Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.



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

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

As of December 31, 2016 and 2015, the Borough had the following investments:

	Fair Value (LOSAP-Unaudited)	
	<u>2016</u>	<u>2015</u>
Investment:		
Lincoln Financial-Length of Service Awards Program Investment Fund	\$ 969,509	\$ 884,014

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2016 and 2015, \$969,509 and \$884,014 of the Borough's investments was exposed to custodial credit risk as follows:

	Fair Value LOSAP Unaudited	
	<u>2016</u>	<u>2015</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 969,509	\$ 884,014

Interest Rate Risk – The Borough 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.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2016 and 2015, the Borough's investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baal by Moody's Investors Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough's investments are in Lincoln Financial LOSAP Investment Fund. These investments are 100% of the Borough's total investments.

The fair value of the above-listed investments was based on quoted market prices.

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

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

**NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE**

Receivables at December 31, 2016 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<b><u>2016</u></b>			
Property Taxes	\$ 1,022,776		\$ 1,022,776
Tax Title Liens	372,091		372,091
Utility Charges and Fees		\$ 285,189	285,189
Utility Liens	<u>-</u>	<u>10,670</u>	<u>10,670</u>
	<u>\$ 1,394,867</u>	<u>\$ 295,859</u>	<u>\$ 1,690,726</u>

In 2016, the Borough collected \$479,849 and \$235,150 from delinquent taxes and utility charges and fees, which represented 52% and 95% of the delinquent tax and water charges receivable at December 31, 2015, respectively.

Receivables at December 31, 2015 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<b><u>2015</u></b>			
Property Taxes	\$ 547,158		\$ 547,158
Tax Title Liens	372,091		372,091
Utility Charges and Fees		\$ 235,150	235,150
Utility Liens	<u>-</u>	<u>10,670</u>	<u>10,670</u>
	<u>\$ 919,249</u>	<u>\$ 245,820</u>	<u>\$ 1,165,069</u>

In 2015, the Borough collected \$463,790 and \$202,546 from delinquent taxes and utility charges and fees, which represented 52% and 95% of the delinquent tax and water charges receivable at December 31, 2014, respectively.

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

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

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

	<u>2016</u>		<u>2015</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 182,100	\$ 1,331,222	\$ 699,295	\$ 804,279
Trust Fund:				
Other Trust		176,705		368,732
Animal Control		20,200		17,826
General Capital Fund	2,408,579	1,250,802	2,273,175	1,217,802
Water Utility Fund:				
Operating	2,018,260	2,397,916	1,232,607	2,725,460
Capital	<u>2,397,916</u>	<u>1,830,010</u>	<u>2,397,918</u>	<u>1,468,896</u>
Total	<u>\$ 7,006,855</u>	<u>\$ 7,006,855</u>	<u>\$ 6,602,995</u>	<u>\$ 6,602,995</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or revenues received by one fund on behalf of another fund.

The Borough expects all interfund balances to be liquidated within one year.

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding Budgets <u>Budgets</u>
<u>2016</u>			
Current Fund			
Overexpenditure of Appropriations	\$ 33,910	\$ 33,910	
Water Utility Capital Fund			
Overexpenditure of Ordinance Appropriations	85,108	85,108	
<u>2015</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 4,600	\$ 4,600	
Overexpenditure of Appropriations	31,728		\$ 31,728
Water Utility Capital Fund			
Overexpenditure of Ordinance Appropriations	80,369		80,369

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

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	<b>2016</b>		<b>2015</b>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,140,730	\$ 715,000	\$ 1,483,914	\$ 585,000
Non-Cash Surplus	<u>68,275</u>	<u>-</u>	<u>70,693</u>	<u>-</u>
	<u>\$ 1,209,005</u>	<u>\$ 715,000</u>	<u>\$ 1,554,607</u>	<u>\$ 585,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 285,240	\$ 203,429	\$ 221,085	\$ 158,374
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 285,240</u>	<u>\$ 203,429</u>	<u>\$ 221,085</u>	<u>\$ 158,374</u>

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

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2016 and 2015.

	Balance January 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<b><u>2016</u></b>				
Land	\$ 6,838,518			\$ 6,838,518
Buildings and Building Improvements	1,677,892			1,677,892
Machinery and Equipment	<u>5,523,200</u>	<u>\$ 462,282</u>	<u>\$ 38,000</u>	<u>5,947,482</u>
	<u>\$ 14,039,610</u>	<u>\$ 462,282</u>	<u>\$ 38,000</u>	<u>\$ 14,463,892</u>
	Balance January 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<b><u>2015</u></b>				
Land	\$ 6,838,518			\$ 6,838,518
Buildings and Building Improvements	1,677,892			1,677,892
Machinery and Equipment	<u>5,232,126</u>	<u>\$ 393,499</u>	<u>\$ 102,425</u>	<u>5,523,200</u>
	<u>\$ 13,748,536</u>	<u>\$ 393,499</u>	<u>\$ 102,425</u>	<u>\$ 14,039,610</u>

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

**NOTE 8 FIXED ASSETS (Continued)**

**B. Water Utility Fund Fixed Assets**

The following is a summary of changes in the water utility fund fixed assets for the years ended December 31, 2016 and 2015.

<b>Water Utility Fund</b>	<b>Balance January 1, <u>2016</u></b>	<b><u>Increases</u></b>	<b>Balance, December 31, <u>2016</u></b>
<b><u>2016</u></b>			
Fixed Capital			
System and System Improvements/ Buildings/Equipment	<u>\$ 6,168,332</u>	<u>\$ 219,739</u>	<u>\$ 6,388,071</u>

	<b>Balance January 1, <u>2015</u></b>	<b><u>Increases</u></b>	<b>Balance, December 31, <u>2015</u></b>
<b><u>2015</u></b>			
Fixed Capital			
System and System Improvements/ Buildings/Equipment	<u>\$ 5,392,963</u>	<u>\$ 775,369</u>	<u>\$ 6,168,332</u>

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

**NOTE 9 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
Issued		
General		
Bonds, Notes and Loans	\$ 10,262,936	\$ 10,457,178
Water Utility		
Bonds and Notes	<u>5,104,901</u>	<u>5,218,130</u>
Less Funds Temporarily Held to Pay Bonds and Notes	<u>69,506</u>	<u>-</u>
Net Debt Issued	15,298,331	15,675,308
Authorized But Not Issued		
General		
Bonds and Notes	1,362,354	487,459
Water Utility		
Bonds and Notes	<u>80,458</u>	<u>80,458</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 16,741,143</u>	<u>\$ 16,243,225</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.19% and 1.13% at December 31, 2016 and 2015, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2016</u></b>			
General Debt	\$ 11,625,290	\$ 69,506	\$ 11,555,784
School Debt	4,372,000	4,372,000	
Utility Debt	<u>5,185,359</u>	<u>5,185,359</u>	<u>-</u>
Total	<u>\$ 21,182,649</u>	<u>\$ 9,626,865</u>	<u>\$ 11,555,784</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2015</u></b>			
General Debt	\$ 10,944,637		\$ 10,944,637
School Debt	4,677,000	\$ 4,677,000	
Utility Debt	<u>5,298,588</u>	<u>5,298,588</u>	<u>-</u>
Total	<u>\$ 20,920,225</u>	<u>\$ 9,975,588</u>	<u>\$ 10,944,637</u>

**Statutory Borrowing Power**

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

	<u>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 33,900,582	\$ 33,825,329
Less: Net Debt	<u>11,555,784</u>	<u>10,944,637</u>
Remaining Borrowing Power	<u>\$ 22,344,798</u>	<u>\$ 22,880,692</u>



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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

The Borough's long-term debt consisted of the following at December 31:

**General Obligation Bonds**

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

	<u>2016</u>	<u>2015</u>
\$1,227,000, 2003 Bonds, due in annual installments of \$97,000 to \$100,000 through October 15, 2018, interest at 4.00%	\$ 197,000	\$ 297,000
 \$7,460,000, 2010 Bonds, due in annual installments of \$325,000 to \$500,000 through August 1, 2030, interest at 3.00% to 4.00%	 <u>6,460,000</u>	 <u>6,785,000</u>
	<u>\$ 6,657,000</u>	<u>\$ 7,082,000</u>

**General Intergovernmental Loans Payable**

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the redevelopment of the Borough's Centennial Field. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
\$211,000, 2002 Loans, due in annual installments of \$11,472 to \$12,926 through August 14, 2022, interest at 2.00%	<u>\$ 73,837</u>	<u>\$ 85,308</u>

**Utility Bonds**

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

**Water Utility**

	<u>2016</u>	<u>2015</u>
\$753,000, 2003 Bonds, due in annual installments of \$65,000 to \$68,000 through October 15, 2018, interest at 4.00%	<u>\$ 133,000</u>	<u>\$ 193,000</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2016 is as follows:

Calendar Year	<u>General</u>		<u>Water Utility Fund</u>				Total
	<u>Bonds</u>	<u>Loan</u>	<u>Bonds</u>				
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 425,000	\$ 246,280	\$ 11,702	\$ 1,419	\$ 65,000	\$ 5,320	\$ 754,721
2018	422,000	232,530	11,937	1,183	68,000	2,720	738,370
2019	450,000	218,900	12,177	943			682,020
2020	450,000	205,400	12,422	699			668,521
2021	450,000	191,900	12,672	449			655,021
2022-2026	2,475,000	696,000	12,927	194			3,184,121
2027-2030	1,985,000	197,600	-	-	-	-	2,182,600
	<u>\$ 6,657,000</u>	<u>\$ 1,988,610</u>	<u>\$ 73,837</u>	<u>\$ 4,887</u>	<u>\$ 133,000</u>	<u>\$ 8,040</u>	<u>\$ 8,865,374</u>

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2016 and 2015 were as follows:

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within One Year
<b><u>2016</u></b>					
General Capital Fund					
Bonds Payable	\$ 7,082,000		\$ 425,000	\$ 6,657,000	\$ 425,000
Intergovernmental Loans Payable	<u>85,308</u>	<u>-</u>	<u>11,471</u>	<u>73,837</u>	<u>11,702</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,167,308</u>	<u>\$ -</u>	<u>\$ 436,471</u>	<u>\$ 6,730,837</u>	<u>\$ 436,702</u>
Water Utility Capital Fund					
Bonds Payable	\$ 193,000	\$ -	\$ 60,000	\$ 133,000	\$ 65,000
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 193,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 133,000</u>	<u>\$ 65,000</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt (Continued)**

	Balance, January 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<b><u>2015</u></b>					
General Capital Fund					
Bonds Payable	\$ 7,487,000		\$ 405,000	\$ 7,082,000	\$ 425,000
Intergovernmental Loans Payable	<u>96,554</u>	<u>-</u>	<u>11,246</u>	<u>85,308</u>	<u>11,471</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,583,554</u>	<u>\$ -</u>	<u>\$ 416,246</u>	<u>\$ 7,167,308</u>	<u>\$436,471</u>
Water Utility Capital Fund					
Bonds Payable	<u>\$ 253,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 193,000</u>	<u>\$ 60,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 253,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 193,000</u>	<u>\$ 60,000</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2016 and 2015 was as follows:

**Bond Anticipation Notes**

	Rate (%)	Maturity Date	Balance, January 1, 2016	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2016
<b><u>2016</u></b>						
<b><u>General Capital Fund</u></b>						
<b><u>Purpose</u></b>						
Acquisition of Ambulance						
Chasis	1.01	9/22/2017	\$ 6,831	\$ 1,628	\$ 6,831	\$ 1,628
Construction of Turf Field	1.01	9/22/2017	686,274	637,136	686,274	637,136
Acquisition of Firefighting						
Equipment	1.01	9/22/2017	296,266	259,232	296,266	259,232
Streetscape Improvements						
to Paterson Avenue and						
Union Boulevard	1.01	9/22/2017	225,473	212,946	225,473	212,946
Acquisition of New Communication						
and Signal Systems Equipment						
for Use of Police and Fire Dept.	1.01	9/22/2017	664,525	630,462	664,525	630,462
Acquisition of Self Contained						
Breathing Apparatus Equipment						
for the Fire Department	1.01	9/22/2017	212,467	199,199	212,467	199,199
Reconstruction of Basketball						
Courts at Hathaway Street Park	1.01	9/22/2017	52,300	50,496	52,300	50,496
Various Public Improvements	1.01	9/22/2017	419,000	419,000	419,000	419,000
Resurface of Various Streets	1.01	9/22/2017	238,000	238,000	238,000	238,000
Replacement of the Library Roof	1.01	9/22/2017	79,000	79,000	79,000	79,000
Improvements to Main Street	1.01	9/22/2017	409,734	410,000	409,734	410,000
Various Park Improvements	1.01	9/22/2017	-	395,000	-	395,000
Total General Capital Fund			<u>\$ 3,289,870</u>	<u>\$3,532,099</u>	<u>\$ 3,289,870</u>	<u>\$ 3,532,099</u>
<b><u>Water Utility Capital Fund</u></b>						
<b><u>Purpose</u></b>						
Hathaway Street Water Main	1.01	9/22/2017	\$ 204,700	\$ 204,700	\$ 204,700	\$ 204,700
Acquisition of Vehicles & Equipment	1.01	9/22/2017	661,000	661,000	661,000	661,000
Replacement of Various						
Water Mains	1.01	9/22/2017	4,159,430	4,106,201	\$ 4,159,430	4,106,201
Total Water Utility Capital Fund			<u>\$ 5,025,130</u>	<u>\$4,971,901</u>	<u>\$ 5,025,130</u>	<u>\$ 4,971,901</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

	Rate (%)	Maturity Date	Balance, January 1, 2015	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2015
<b><u>2015</u></b>						
<b><u>General Capital Fund</u></b>						
<b><u>Purpose</u></b>						
Acquisition of Ambulance						
Chasis	0.62	9/23/2016	\$ 41,621	\$ 6,831	\$ 41,621	\$ 6,831
Purchase of Fire Engine	0.62	9/25/2015	13,160		13,160	-
Construction of Turf Field	0.62	9/25/2016	735,412	686,274	735,412	686,274
Acquisition of Firefighting						
Equipment	0.62	9/25/2016	333,300	296,266	333,300	296,266
Streetscape Improvements						
to Paterson Avenue and						
Union Boulevard	0.62	9/25/2016	238,000	225,473	238,000	225,473
Acquisition of New Communication						
and Signal Systems Equipment						
for Use of Police and Fire Dept.	0.62	9/25/2016	664,525	664,525	664,525	664,525
Acquisition of Self Contained						
Breathing Apparatus Equipment						
for the Fire Department	0.62	9/25/2016	212,467	212,467	212,467	212,467
Reconstruction of Basketball						
Courts at Hathaway Street Park	0.62	9/25/2016	52,300	52,300	52,300	52,300
Various Public Improvements	0.62	9/25/2016	419,000	419,000	419,000	419,000
Resurface of Various Streets	0.62	9/25/2016	238,000	238,000	238,000	238,000
Replacement of the Library Roof	0.62	9/25/2016		79,000		79,000
Improvements to Main Street	0.62	9/25/2016	-	409,734	-	409,734
Total General Capital Fund			<u>\$ 2,947,785</u>	<u>\$3,289,870</u>	<u>\$ 2,947,785</u>	<u>\$ 3,289,870</u>
<b><u>Water Utility Capital Fund</u></b>						
<b><u>Purpose</u></b>						
Hathaway Street Water Main	0.62	9/23/2016		\$ 204,700		\$ 204,700
Acquisition of Vehicles & Equipment	0.62	9/23/2016		661,000		661,000
Replacement of Various						
Water Mains	0.62	9/23/2016	<u>\$ 4,182,215</u>	<u>4,159,430</u>	<u>\$ 4,182,215</u>	<u>4,159,430</u>
Total Water Utility Capital Fund			<u>\$ 4,182,215</u>	<u>\$5,025,130</u>	<u>\$ 4,182,215</u>	<u>\$ 5,025,130</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund. The amounts issued for the water utility activities are accounted for in the Water Utility Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction/ Other Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2016</u></b>		
Water Main Replacements	\$ 274,904	2017
Improvements to Main Street	12,525	2017
Municipal Road Program	14,704	2017
Streetscape Improvements	41,656	2017
Improvements to Park Row and Alden Street	375,675	2017
Improvements to Hathaway Street	11,495	2017
Acquisition of Police Interceptor SUV	24,613	2017
<b><u>2015</u></b>		
Water Main Replacements	\$ 349,717	2016
Improvements to Main Street	216,374	2016
Construction of Curb Ramps	50,386	2016
Acquisition of Backhoe	115,517	2016
Acquisition of Vehicles	100,048	2016
Hathaway Street Water Main	12,057	2016
Municipal Road Program	14,704	2016

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

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,729,258 and \$1,503,064 at December 31, 2016 and 2015, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

**B. Capital Lease Agreement**

The Borough entered into agreements for the leasing of vehicles totaling \$125,074 under capital leases. The capital lease agreements are for terms of 3 year's payable in advance. The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at December 31, 2016.

<u>Years Ended</u> <u>December 31,</u>	<u>Amount</u>
2017	\$ 27,521
Less: Amounts Representing Interest	<u>1,558</u>
Present Value of Net Minimum Lease Payments	<u>\$ 25,963</u>

The Borough's capital lease activity for the years 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 15,678	\$ 55,725
Additions	77,978	
Reductions	<u>(67,693)</u>	<u>40,047</u>
Balance, December 31	<u>\$ 25,963</u>	<u>\$ 15,678</u>
Due Within One Year	<u>\$ 25,963</u>	<u>\$ 15,678</u>

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

**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**C. Deferred Pension Obligation**

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$255,871 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2016 and 2015 is \$238,378 and \$258,463, respectively.

**Changes in Other Long-Term Liabilities**

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows:

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
Compensated Absences	\$ 1,503,064	\$ 226,194		\$ 1,729,258	
Deferred Pension Obligation	258,463	18,439	\$ 38,524	238,378	\$ 38,899
Net Pension Liability - PERS	3,575,254	1,379,397	144,290	4,810,361	
Net Pension Liability - PFRS	<u>12,339,578</u>	<u>2,722,983</u>	<u>616,587</u>	<u>14,445,974</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 17,676,359</u>	<u>\$4,347,013</u>	<u>\$ 799,401</u>	<u>\$ 21,223,971</u>	<u>\$ 38,899</u>

	Balance, January 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<b><u>2015</u></b>					
Compensated Absences	\$ 1,450,546	\$ 52,518		\$ 1,503,064	
Deferred Pension Obligation	276,946	19,927	\$ 38,410	258,463	\$ 38,524
Net Pension Liability - PERS	3,317,007	395,175	136,928	3,575,254	
Net Pension Liability - PFRS	<u>9,557,237</u>	<u>3,384,522</u>	<u>602,181</u>	<u>12,339,578</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 14,601,736</u>	<u>\$3,852,142</u>	<u>\$ 777,519</u>	<u>\$ 17,676,359</u>	<u>\$ 38,524</u>



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

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

**Other Pension Funds**

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

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

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

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

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

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Basis of Accounting**

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

**Investment Valuation**

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2015 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.65% for investment rate of return for all the retirement systems and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**BOROUGH OF WALLINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.06% for PERS and 5.50% for DCRP of employee's annual compensation for fiscal year 2016.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2016 and 2015 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2016, 2015 and 2014, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended December 31</u>	<u>PFRS</u>	<u>PERS</u>
2016	\$ 676,287	\$ 152,138
2015	656,514	148,084
2014	626,564	133,829

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees Retirement System (PERS)**

At December 31, 2016 and 2015, the Borough reported a liability of \$4,810,361 and \$3,575,254, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough's proportionate share was .01624 percent, which was an increase of .00031 percent from its proportionate share measured as of June 30, 2015 of .01593 percent.

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be \$465,394 and \$229,442, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$136,928 and \$146,052, respectively. At December 31, 2016 and 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2016		2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 89,458		\$ 85,293	
Changes of Assumptions	996,450		383,954	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	183,423			\$ 57,483
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>240,991</u>	<u>\$ 224,047</u>	<u>244,791</u>	<u>284,274</u>
Total	<u>\$ 1,510,322</u>	<u>\$ 224,047</u>	<u>\$ 714,038</u>	<u>\$ 341,757</u>

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2017	\$ 289,066
2018	289,066
2019	338,485
2020	273,943
2021	95,715
Thereafter	<u>-</u>
	<u>\$ 1,286,275</u>

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40%
		Based on Age
Through 2026	1.65-4.15%	
	Based on Age	
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

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

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

***Discount Rate (Continued)***

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit

Payments for which the Following  
Rates were Applied:

Long-Term Expected Rate of Return                      Through June 30, 2034

Municipal Bond Rate \*                                      From July 1, 2034  
and Thereafter

\* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is 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.

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 5,894,536	\$ 4,810,361	\$ 3,915,281
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
<u>2015</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 4,443,603	\$ 3,575,254	\$ 2,847,236

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees Retirement System (PERS) (Continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Police and Firemen's Retirement System (PFRS)**

At December 31, 2016 and 2015, the Borough reported a liability of \$14,445,974 and \$12,339,578, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough's proportionate share was .07562 percent, which was an increase of .00154 percent from its proportionate share measured as of June 30, 2015 of .07408 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be \$1,535,381 and \$1,015,769, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$602,181 and \$583,558, respectively. At December 31, 2016 and 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	<b>2016</b>		<b>2015</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience		\$ 94,695		\$ 106,433
Changes of Assumptions	\$ 2,000,886		\$ 2,278,193	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,012,200			214,760
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>177,224</u>	<u>171,807</u>	<u>-</u>	<u>220,794</u>
Total	<u>\$ 3,190,310</u>	<u>\$ 266,502</u>	<u>\$ 2,278,193</u>	<u>\$ 541,987</u>



**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2017	\$ 685,970
2018	685,970
2019	929,791
2020	571,855
2021	50,222
Thereafter	-
	<u>\$ 2,923,808</u>

***Actuarial Assumptions***

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

**PFRS**

	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.60-9.48%
		Based on Age
Through 2026	2.10-8.98%	
	Based on Age	
Thereafter	3.10-9.98%	3.60-10.48%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2015 and July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

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

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	5.55%
2015	June 30, 2015	5.79%

**BOROUGH OF WALLINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Discount Rate (Continued)***

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

Period of Projected Benefit

Payments for which the Following  
Rates were Applied:

Long-Term Expected Rate of Return                      Through June 30, 2050

Municipal Bond Rate \*                                      From July 1, 2050  
and Thereafter

\* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is 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.

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PFRS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

	<b>1% Decrease (4.55%)</b>	<b>Current Discount Rate (5.55%)</b>	<b>1% Increase (6.55%)</b>
<b>2016</b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 18,627,024</u>	<u>\$ 14,445,974</u>	<u>\$ 11,036,579</u>
	<b>1% Decrease (4.79%)</b>	<b>Current Discount Rate (5.79%)</b>	<b>1% Increase (6.79%)</b>
<b>2015</b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 16,267,481</u>	<u>\$ 12,339,578</u>	<u>\$ 9,136,724</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF WALLINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Special Funding Situation – PFRS***

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: 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 amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,213,104 and \$1,082,140, respectively. For the years ended December 31, 2016 and 2015, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$154,942 and \$134,981, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$46,483 and \$56,331, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

***Pension Plan Fiduciary Net Position***

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Plan Description**

The Borough provides a post-employment healthcare plan for its eligible retirees and their dependents. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough employment, contracts and/or personnel policies, the Borough provides post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at the same cost to the retirees as there would be if any, if they remained an employee. Coverage for a retirees spouse and/or dependents ends upon the death of the retiree.

**Funding Policy**

The Borough funds its post- retirement medical benefits on a pay-as-you-go basis. For the years 2016, 2015 and 2014 the Borough paid \$764,562, \$609,252 and \$610,000, respectively for post-retirement health coverage premiums for eligible retirees and their dependents.

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the year 2016 and 2015, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

	<u>2016</u>	<u>2015</u>
Annual Required Contribution	\$ 2,398,504	\$2,398,504
Interest on Net OPEB Obligation	445,046	348,833
Annual OPEB Cost (Expense)	2,843,550	2,747,337
Contributions Made	(764,562)	(609,252)
Increase in Net OPEB Obligation	2,078,988	2,138,085
Net OPEB Obligation - Beginning of Year	9,889,921	7,751,836
Net OPEB Obligation - End of Year	<u>\$11,968,909</u>	<u>\$9,889,921</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2016, 2015 and 2014 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligations</u>
2016	\$ 2,843,550	24%	\$ 11,968,909
2015	2,747,337	22%	9,889,921
2014	2,655,298	23%	7,751,836

**Funded Status and Funding Progress**

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$31,356,684, and the actuarial value of assets was zero resulting in an unfunded actuarial accrued liability (UAAL) of \$31,356,684. The covered payroll (annual payroll of active employees covered by the plan) was not available.

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Funded Status and Funding Progress (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the December 31, 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements of .5% per annum to an ultimate rate of 5 percent after ten years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 25 years.

**NOTE 14 RISK MANAGEMENT**

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

The Borough of Wallington is a member of the South Bergen Municipal Joint Insurance Fund (SBJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The SBJIF and MEL coverage amounts are on file with the Borough.

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

**NOTE 14 RISK MANAGEMENT (Continued)**

The Borough is also a member of the Bergen Municipal Employee Benefits Fund. This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The Fund is a risk-sharing public entity pool. The fund coverage amounts are on file with the Borough.

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

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

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

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of employee contributions and the ending balance of the Borough's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended December 31</u>	<u>Employee Contributions</u>	<u>Ending Balance</u>
2016	\$ 5,558	\$ 33,269
2015	5,439	27,711
2014	5,114	22,272

**NOTE 15 CONTINGENT LIABILITIES**

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016 and 2015. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

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

**NOTE 15 CONTINGENT LIABILITIES (Continued)**

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2016 and 2015, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016 and 2015, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 17 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED**

The Borough of Wallington Length of Service Awards Program (the Plan) was created by a Borough ordinance adopted on July 22, 2004 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Awards Program as enacted into federal law in 1997. The voters of the Borough of Wallington approved the adoption of the Plan at the general election held on November 2, 2004.

The first year of eligibility for entrance into the Plan was calendar year 2005. The tax deferred income benefits for emergency services volunteers, consisting of the Wallington Fire Department and the Wallington Emergency Squad, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Wallington has contributed \$1,424 and \$1,406 for 2016 and 2015, respectively, for each eligible volunteer fire department member and eligible volunteer emergency squad member into the Plan. The total Borough contributions were \$92,221 and \$103,699 for 2016 and 2015, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.



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

**NOTE 17 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED (Continued)**

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**Vesting and Benefits**

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

**Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

**CURRENT FUND**

**BOROUGH OF WALLINGTON  
STATEMENT OF CASH - COLLECTOR - TREASURER**

Balance, January 1, 2016		\$ 3,687,845
Increased by:		
Taxes Receivable	\$ 26,495,135	
State of NJ Senior Citizens' and Veterans' Deductions	70,500	
Miscellaneous Revenues Not Anticipated	81,187	
Revenue Accounts Receivable	1,595,522	
Tax Overpayments	36,565	
Prepaid Taxes	167,033	
Receipts from Animal Control Fund	85	
Receipts from Other Trust Fund	396,410	
Receipts for Other Trust Fund	9,479	
Receipts from General Capital Fund	1,119	
Receipts from Water Operating Utility Fund	1,400,000	
Federal and State Grants - Unappropriated	44,770	
Federal and State Grants Receivable	23,222	
Miscellaneous Fees Payable	16,684	
		<u>30,337,711</u>
		34,025,556
Decreased by Disbursements:		
2016 Budget Appropriations	10,056,526	
2015 Appropriation Reserves	643,148	
Tax Overpayments	26,604	
County Taxes	2,365,503	
Local District School Taxes	16,044,883	
Appropriated Grant Reserves	41,221	
Disbursements to General Capital Fund	455,023	
Disbursements for Other Trust Reserves	18,549	
Water Operating Utility Fund Expenditures Paid by Current Fund	319,805	
Miscellaneous Fees Payable	18,218	
Refund of Prior Year Revenue	18,548	
Prior Year Tax Appeals Granted	279,116	
		<u>30,287,144</u>
Balance, December 31, 2016		<u>\$ 3,738,412</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, <u>2016</u>	Balance, December 31, <u>2016</u>
Collector - Treasurer	\$ <u>100</u>	\$ <u>100</u>

**STATEMENT OF PETTY CASH**

<u>Office</u>	Balance, January 1, <u>2016</u>	Balance, December 31, <u>2016</u>
Borough Clerk	\$ <u>100</u>	\$ <u>100</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF DUE TO STATE OF NEW JERSEY  
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2016		\$	188
Increased by:			
Received in Cash from State			<u>70,500</u>
			70,688
Decreased by:			
Senior Citizens' and Veterans' Deductions Per Tax Billings- 2016	\$	68,250	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - 2016		<u>1,750</u>	
			<u>70,000</u>
Balance, December 31, 2016		\$	<u>688</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, January 1, <u>2016</u>	<u>2016 Levy</u>	<u>Collected in Cash</u>		Senior Citizens and Veterans' Deductions <u>Allowed</u>	<u>Cancelled</u>	Balance, December 31, <u>2016</u>
			<u>2015</u>	<u>2016</u>			
2011	\$ 2,949					\$ 2,949	
2012	9,841					9,841	
2013	17,167					17,167	
2014	23,425					23,425	
2015	<u>493,776</u>	<u>-</u>	<u>-</u>	<u>\$ 479,849</u>	<u>-</u>	<u>13,927</u>	<u>-</u>
	547,158	-	-	479,849	-	67,309	-
2016	<u>-</u>	<u>\$27,239,293</u>	<u>\$ 106,374</u>	<u>26,015,286</u>	<u>\$ 70,000</u>	<u>24,857</u>	<u>\$ 1,022,776</u>
	<u>\$ 547,158</u>	<u>\$27,239,293</u>	<u>\$ 106,374</u>	<u>\$ 26,495,135</u>	<u>\$ 70,000</u>	<u>\$ 92,166</u>	<u>\$ 1,022,776</u>

**Analysis of 2016 Property Tax Levy**

Tax Yield	
General Purpose Tax	\$ 27,053,894
Added Taxes (54:4-63.1 et seq.)	<u>185,399</u>
	<u>\$ 27,239,293</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 16,044,883
County Taxes	\$ 2,338,895
County Open Space Taxes	24,254
Due County for Added Taxes (54:4-63.1 et seq)	<u>16,286</u>
	2,379,435
Local Tax for Municipal Purposes	8,319,377
Minimum Library Tax	320,718
Add Additional Tax Levied	<u>174,880</u>
	8,814,975
	<u>\$ 27,239,293</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2016	<u>\$ 372,091</u>
Balance, December 31, 2016	<u>\$ 372,091</u>

**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2016</u>	Accrued in 2016	Collected in 2016	Balance, December 31, <u>2016</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 16,946	\$ 16,946	
Other		4,960	4,960	
Fees and Permits		4,220	4,220	
Board of Health				
Licenses		5,420	5,420	
Fees and Permits		1,256	1,256	
Registrar of Vital Statistics				
Licenses		469	469	
Fees and Permits		16	16	
Fire Prevention				
Fees and Permits		3,589	3,589	
Police				
Fees and Permits		492	492	
Planning & Zoning Boards				
Fees and Permits		1	1	
Municipal Court				
Fines and Costs	\$ 13,530	165,913	169,130	\$ 10,313
Interest and Costs on Taxes		127,827	127,827	
Interest on Investments and Deposits		17,035	17,035	
Energy Receipts Taxes		602,475	602,475	
Consolidated Municipal Property Tax Relief Aid		70,979	70,979	
Uniform Construction Code Fees		200,132	200,132	
Uniform Safety Act		13,140	13,140	
Contribution from Board of Education		125,000	125,000	
Cell Tower Rental Fee		99,087	99,087	
CATV Franchise Fee	-	133,348	133,348	-
	<u>\$ 13,530</u>	<u>\$ 1,592,305</u>	<u>\$ 1,595,522</u>	<u>\$ 10,313</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, January 1, 2016	Encumbrances Restored	Transfers	Modified Balance	Paid or Charged	Balance Lapsed
Mayor and Council						
Salaries & Wages	\$ 1			\$ 1		\$ 1
Municipal Clerk Elections						
Salaries & Wages	1,161			1,161		1,161
Other Expenses	4,601	\$ 6,952		11,553	\$ 7,648	3,905
Financial Administration						
Salaries & Wages	33			33		33
Other Expenses	7,602	62		7,664	6,269	1,395
Audit Services	2,000			2,000		2,000
Revenue Administration						
Salaries & Wages	142			142		142
Other Expenses	1,101	50		1,151	758	393
Assessment of Taxes						
Salaries & Wages	6			6		6
Other Expenses	18,778		\$ (15,000)	3,778		3,778
Legal Services and Costs						
Salaries & Wages	23			23		23
Other Expenses	3,047	7,305		10,352	3,327	7,025
Engineering Services and Costs -						
Salaries & Wages	219			219		219
Other Expenses	6,394	3,720		10,114	609	9,505
Planning Board						
Salaries & Wages	1			1		1
Other Expenses	1,782		1,000	2,782	2,430	352
Zoning Bd of Adjustment						
Other Expenses	217		2,000	2,217	1,645	572
Construction Code Official						
Salaries & Wages	437			437		437
Other Expenses	2,669	345		3,014	345	2,669
Rent Leveling Board						
Salaries & Wages	1,560			1,560		1,560
Police						
Salaries & Wages	75,003			75,003		75,003
Other Expenses	3,295	290,542	2,500	296,337	293,657	2,680
Fire						
Other Expenses		32,925	11,000	43,925	31,242	12,683
LOSAP	105,500			105,500	92,598	12,902
Emergency Management						
Other Expenses	1,000			1,000		1,000
Uniform Fire Safety						
Salaries & Wages	14			14		14
Other Expenses	1,000			1,000		1,000
Streets and Roads Maintenance						
Salaries & Wages	44			44		44
Other Expenses	638	1,185	16,000	17,823	15,940	1,883
Buildings and Grounds						
Other Expenses	11,514	8,418	(5,000)	14,932	5,628	9,304
Solid Waste Collection (Garbage and Trash, Recycling)						
Other Expenses		34,052	25,000	59,052	34,052	25,000
Board of Health						
Salaries & Wages	569			569		569
Other Expenses	20	920		940	570	370
Animal Control Services						
Other Expenses	139			139		139
Senior Citizens						
Other Expenses	2,370			2,370		2,370
Board of Recreation Commissioners						
Salaries & Wages	2,878			2,878		2,878
Other Expenses	123	3,340		3,463	3,431	32



**BOROUGH OF WALLINGTON  
STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, January 1, <u>2016</u>	Encumbrances <u>Restored</u>	<u>Transfers</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Maintenance of Parks						
Other Expenses	\$ 3,295			\$ 3,295		\$ 3,295
Celebration of Public Events						
Other Expenses	268			268		268
Utilities						
Electricity	8,503			8,503	\$ 5,069	3,434
Street Lighting	2,110			2,110		2,110
Gasoline	35,747			35,747	13,596	22,151
Communications		\$ 258		258		258
Public Defender						
Other Expenses	50			50		50
Sewerage Processing and Disposal						
Other Expenses	25,567		\$ (12,500)	13,067	5,364	7,703
Passaic Valley Sewerage Commission	375			375		375
East Rutherford Sewer Fees	6,500		(6,000)	500		500
Recycling Tax Appropriation	11,800			11,800		11,800
911 Interlocal Services Agreement	199			199		199
Maintenance of Free Public Library		9		9		9
Municipal Court						
Salaries & Wages	169			169		169
Other Expenses	324		1,000	1,324	1,194	130
Salary and Wage Adjustment	15,000			15,000		15,000
Social Security System	466			466		466
Insurance						
Unemployment	1,000			1,000		1,000
Employee Group	136,617		(20,000)	116,617	116,617	-
Health Benefit Waiver	10,000			10,000		10,000
Liability	320			320		320
Liability ( South Bergen JIF)	213			213	213	-
Worker's Compensation (South Bergen JIF)	946	-	-	946	946	-
	<u>\$ 515,350</u>	<u>\$ 390,083</u>	<u>\$ -</u>	<u>\$ 905,433</u>	<u>\$ 643,148</u>	<u>\$ 262,285</u>
			Cash Disbursements		<u>\$ 643,148</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2016	\$ 390,083
Increased by:	
Charges to 2016 Budget Appropriations	<u>260,010</u>
	650,093
Decreased by:	
Restored to Appropriation Reserves	<u>390,083</u>
Balance, December 31, 2016	<u><u>\$ 260,010</u></u>

**STATEMENT OF PREPAID TAXES**

Balance, January 1, 2016	\$ 106,374
Increased by:	
Collection - 2017 Taxes	<u>167,033</u>
	273,407
Decreased by:	
Application to 2016 Taxes Receivable	<u>106,374</u>
Balance, December 31, 2016	<u><u>\$ 167,033</u></u>

**BOROUGH OF WALLINGTON  
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2016	\$ 26,604
Increased by:	
Cash Receipts	<u>36,565</u>
	63,169
Decreased by:	
Cash Disbursements	<u>26,604</u>
Balance, December 31, 2016	<u>\$ 36,565</u>

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2016	\$ 1,679
Increased by:	
2016 Tax Levy	\$ 2,338,895
Open Space Taxes	24,254
2016 Added Taxes (54:4-63.1 et seq.)	<u>16,286</u>
	<u>2,379,435</u>
	2,381,114
Decreased by:	
Payments	<u>2,365,503</u>
Balance, December 31, 2016	<u>\$ 15,611</u>

**STATEMENT OF SCHOOL TAXES PAYABLE**

Increased by:	
Levy - Calendar Year	<u>\$ 16,044,883</u>
Decreased by:	
Payments	<u>\$ 16,044,883</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF MISCELLANEOUS FEES PAYABLE**

	Balance, January 1, <u>2016</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2016</u>
Marriage License Fees	\$ 650	\$ 2,275	\$ 2,450	\$ 475
Blood Screening Fees		3,858	3,858	
DCA Training Fees	<u>1,359</u>	<u>10,551</u>	<u>11,910</u>	<u>-</u>
	<u>\$ 2,009</u>	<u>\$ 16,684</u>	<u>\$ 18,218</u>	<u>\$ 475</u>

**STATEMENT OF RESERVE FOR REVALUATION**

Balance, January 1, 2016	\$ <u>2,770</u>
Balance, December 31, 2016	\$ <u>2,770</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF DEFERRED CHARGES  
N.J.S. 40A:4-55.3 SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Net Amount</u> <u>Authorized</u>	<u>1/5 of</u> <u>Net Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>January 1,</u> <u>2016</u>	<u>Raised</u> <u>in 2016</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>
3/8/2010	Codification Of Ordinances	\$ 23,000	\$ 4,600	\$ 4,600	\$ 4,600	\$ -
				\$ 4,600	\$ 4,600	\$ -

**BOROUGH OF WALLINGTON**  
**STATEMENT OF FEDERAL AND STATE GRANTS RECEIVABLE**

	Balance, January 1, <u>2016</u>	<u>Accrued</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2016</u>
Non-Public Nursing	\$ 2,028			\$ 2,028
Fire Prevention Education		\$ 500	\$ 500	
Clean Communities		22,722	22,722	
Safe and Secure Communities Program	<u>32,337</u>	<u>-</u>	<u>-</u>	<u>32,337</u>
	<u>\$ 34,365</u>	<u>\$ 23,222</u>	<u>\$ 23,222</u>	<u>\$ 34,365</u>
		Cash Receipts	<u>\$ 23,222</u>	

**BOROUGH OF WALLINGTON**  
**STATEMENT OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance, January 1, <u>2016</u>	Transferred from 2016 <u>Appropriations</u>	<u>Expended</u>	Balance, December 31, <u>2016</u>
Supplemental Fire Services Program State Entitlement:				
Fire - Other Expenses	\$ 1,573			\$ 1,573
Alcohol Education and Rehabilitation Fund				
Municipal Court				
Salaries & Wages	10,341	\$ 648		10,989
Drunk Driving Enforcement Fund				
Police				
Salaries & Wages	14,454			14,454
Clean Communities	61,555	42,645	\$ 31,190	73,010
COPS Fast Programs	73			73
Fire Prevention Education		500	500	-
Municipal Alliance- State	36,619	3,322	9,531	30,410
Municipal Alliance- Local	5,476			5,476
Legislative Grant- Emergency Services	9,530			9,530
Non Public Nursing	14,276			14,276
Body Armor Replacement	3,483	2,184		5,667
Municipal Recycling Assistance Program	17,480	95		17,575
Recycling Tonnage Grant	49,886			49,886
COPS More	1,579			1,579
Livable Communities -Acquisition of Fire Equipment	1,977			1,977
Domestic Preparedness Grant	50,000			50,000
HAVA Grant	6,586			6,586
DEP Stormwater Grant	17,960	-	-	17,960
	<u>\$ 302,848</u>	<u>\$ 49,394</u>	<u>\$ 41,221</u>	<u>\$ 311,021</u>
Cash Disbursements			<u>\$ 41,221</u>	

**BOROUGH OF WALLINGTON**  
**STATEMENT OF UNAPPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance, January 1, <u>2016</u>	Cash <u>Receipts</u>	Utilized as <u>2016 Revenue</u>	Balance, December 31, <u>2016</u>
Alcohol Education and Rehabilitation Fund	\$ 648	\$ 967	\$ 648	\$ 967
Municipal Alliance	3,322	8,977	3,322	8,977
Clean Communities	19,923		19,923	-
Body Armor Replacement	2,184		2,184	-
Municipal Recycling Assistance	95	116	95	116
Safe and Secure Communities		30,000		30,000
Recycling Tonnage Grant	-	4,710	-	4,710
	<u>\$ 26,172</u>	<u>\$ 44,770</u>	<u>\$ 26,172</u>	<u>\$ 44,770</u>



**BOROUGH OF WALLINGTON  
STATEMENT OF AMOUNT DUE TO LIBRARY - STATE AID**

Balance, January 1, 2016	\$ <u>14,850</u>
Balance, December 31, 2016	\$ <u>14,850</u>

**STATEMENT OF RESERVE FOR CODIFICATION OF ORDINANCES**

Balance, January 1, 2016	\$ <u>10,925</u>
Balance, December 31, 2016	\$ <u>10,925</u>

**STATEMENT OF DEFERRED CHARGE - OVEREXPENDITURE OF APPROPRIATIONS**

Balance, January 1, 2016	\$ 31,728
Increased by:	
Overexpended in 2016	<u>2,182</u>
Balance, December 31, 2016	<u>\$ 33,910</u>

**TRUST FUND**

**BOROUGH OF WALLINGTON  
SCHEDULE OF TRUST CASH - TREASURER**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2016	\$ 22,972	\$ 1,135,893
Increased by Receipts:		
Other Reserves		\$ 973,240
Payroll Salaries and Deductions		7,790,447
Payroll Deductions - Unemployment		5,558
Interest Earned	\$ 89	5,749
Due to State of New Jersey	757	
Dog License Fees/Cat/Late Fees	<u>2,772</u>	<u>-</u>
	<u>3,618</u>	<u>8,774,994</u>
	26,590	9,910,887
Decreased by Disbursements:		
Payroll Salaries and Deductions		7,848,184
Due to State of New Jersey	765	
Payments to Current Fund	85	396,410
Other Reserves	<u>-</u>	<u>363,054</u>
	<u>850</u>	<u>8,607,648</u>
Balance, December 31, 2016	<u>\$ 25,740</u>	<u>\$ 1,303,239</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES  
ANIMAL CONTROL FUND**

Balance, January 1, 2016	\$ 5,145
Increased by:	
Dog License Fees/Cat/Late Fees	<u>2,772</u>
	7,917
Decreased by:	
Statutory Excess - Due to Current Fund	<u>2,370</u>
Balance, December 31, 2016	<u><u>\$ 5,547</u></u>

**STATEMENT OF DUE TO(FROM) STATE OF NEW JERSEY - DEPARTMENT OF HEALTH  
ANIMAL CONTROL FUND**

Balance, December 31, 2015 (Due to)	\$ 1
Increased by:	
State Fees Collected in 2016	<u>757</u>
	758
Decreased by:	
Payments to State of New Jersey	<u>765</u>
Balance, December 31, 2016 (Due from)	<u><u>\$ (7)</u></u>

**STATEMENT OF DUE TO CURRENT FUND  
ANIMAL CONTROL FUND**

Balance, January 1, 2016	\$ 17,826
Increased by:	
Interest Earned	\$ 89
Statutory Excess	<u>2,370</u>
	<u>2,459</u>
	20,285
Decreased by:	
Payments to Current Fund	<u>85</u>
Balance, December 31, 2016	<u><u>\$ 20,200</u></u>

**BOROUGH OF WALLINGTON  
STATEMENT OF OTHER RESERVES - OTHER TRUST FUND**

	Balance, January 1, 2016	Receipts	Disbursements	Balance, (Deficit) December 31, 2016
Uniform Fire Safety Act Penalties	\$ 320	\$ 5,000		\$ 5,320
Planning Board-Escrow	41,887	12,808	\$ 17,230	37,465
Road Opening	38,255			38,255
Third Party Lien Redemptions/Tax Sale Premiums	276,943	571,773	129,754	718,962
Iron & Steel (Recycling)	128			128
Zoning Board-Escrow	29,377	14,776	10,721	33,432
Police Vests	1,239	2,564	4,485	(682)
Handicap Trust	37			37
Police Off Duty	64,587	319,770	383,408	949
Recreation	24,361	40,736	8,956	56,141
Parks	3,960			3,960
P.O.A.A.	40,891	1,526		42,417
Police Camp	2,198	1,162		3,360
Memorial Day Parade	2,080	3,125	2,500	2,705
Fire Department Deduction	442			442
COAH	26,624	9,479	18,549	17,554
Developer's Agreement	60,738	-	-	60,738
Total	<u>\$ 614,067</u>	<u>\$ 982,719</u>	<u>\$ 575,603</u>	<u>\$ 1,021,183</u>
Due to/from Current Fund		\$ 9,479	\$ 212,549	
Cash Receipts/Cash Disbursements		<u>973,240</u>	<u>363,054</u>	
		<u>\$ 982,719</u>	<u>\$ 575,603</u>	

EXHIBIT B-6

**STATEMENT OF RESERVE FOR ESCROW DEPOSITS  
OTHER TRUST FUND**

Balance, January 1, 2016	<u>\$ 3,850</u>
Balance, December 31, 2016	<u>\$ 3,850</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF DUE TO CURRENT FUND  
OTHER TRUST FUND**

Balance, January 1, 2016		\$	353,927	
Increased by:				
Receipts Due to Current Fund	\$	119,592		
Disbursements in Current Fund for Other Trust Reserves- COAH		18,549		
Police Off Duty Admin Fees Due to Current Fund		<u>74,408</u>		
	\$	212,549		
Interest Earned		<u>5,749</u>		
			<u>218,298</u>	
			572,225	
Decreased by:				
Payments to Current Fund		396,410		
Payroll Applied		4,436		
Receipts Deposited in Current Fund: Other Reserves- COAH		<u>9,479</u>		
			<u>410,325</u>	
Balance, December 31, 2016		\$	<u>161,900</u>	

EXHIBIT B-8

**STATEMENT OF RESERVE FOR UNEMPLOYMENT  
COMPENSATION INSURANCE CLAIMS  
OTHER TRUST FUND**

Balance, January 1, 2016	\$	27,711	
Increased by:			
Payroll Deductions		<u>5,558</u>	
Balance, December 31, 2016	\$	<u>33,269</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF RESERVE FOR PAYROLL SALARIES AND WITHHOLDINGS  
OTHER TRUST FUND**

Balance, January 1, 2016		\$	121,533
Increased by:			
Cash Receipts	\$	7,790,447	
Payroll Applied from Current Fund		<u>4,436</u>	
			<u>7,794,883</u>
			7,916,416
Decreased by:			
Cash Disbursements			<u>7,848,184</u>
Balance, December 31, 2016		\$	<u>68,232</u>

EXHIBIT B-10

**STATEMENT OF DUE TO WATER UTILITY OPERATING FUND  
OTHER TRUST FUND**

Balance, January 1, 2016	\$	<u>14,805</u>
Balance, December 31, 2016	\$	<u>14,805</u>

**GENERAL CAPITAL FUND**



**BOROUGH OF WALLINGTON  
STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, January 1, 2016		\$ 640,828
Increased by Receipts:		
Grants Receivable	69,506	
Receipts from Current Fund	455,023	
Receipts for Current Fund	5,000	
Receipts from Water Utility Operating Fund	33,000	
Bond Anticipation Notes	396,105	
Interest Earned	<u>966</u>	
		<u>959,600</u>
		1,600,428
Decreased by Disbursements:		
Payments to Current Fund	1,119	
Payments for Current Fund	174,160	
Payments for Water Utility Capital Fund	361,114	
Improvement Authorizations	<u>703,214</u>	
		<u>1,239,607</u>
Balance, December 31, 2016		<u><u>\$ 360,821</u></u>

**BOROUGH OF WALLINGTON  
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2016</u>
Capital Improvement Fund		\$ 15,702
Due from Water Utility Capital Fund		(1,830,010)
Due to Water Utility Operating Fund		1,250,802
Due from Current Fund		(578,569)
Grants Receivable		(47,394)
Encumbrances Payable		1,435,282
Reserve for Purchase of Fire Equipment		11,595
Excess Note Proceeds		69,506
Fund Balance		51,210
Improvement		
<u>Authorizations:</u>		
01-15	Improvements to Hathaway Street	(6,712)
02-3	Resurfacing of Hathaway	(97)
03-9	Acq. of Senior Citizen Bus	(3,895)
06-11	2006 Road Improvement Program	214,325
10-7	Refunding Tax Appeals	(80,014)
10-8	Resurfacing Various Streets	52,186
11-5	Resurface Hathaway Street	3,747
11-10	Acq. Firefighter Equipment	12,318
12-5	Funding of Various Expenses Relating to Hurricane Irene	8,750
12-9	Various Public Improvements	102,242
12-13	Streetscape Improvements to Paterson Avenue and Union Boulevard	8,145
12-20/13-9	Acquisition of New Communication and Signal Systems Equipment for Use of the Police and Fire Departments	5,721
13-7	Acquisition of Self Contained Breathing Apparatus Equipment for Fire Department	2,567
13-10	Various Public Improvements	91,014
14-9	Rehabilitation of the Elevator at the Police Station	8,012
14-14	Replacement of the Roof on the Public Library	150
15-04	Improvements to Main Street	178,203
15-14	Various Park Improvements	409,685
16-13	Acquisition of a New Pumper Fire Engine	(663,744)
16-16	Replacement of Curbs and Sidewalks on Anderson Ave.	6,109
16-17	Acquisition of a New Ambulance	(264,318)
16-21	Replacement of Alden Street Sewer Main	(101,697)
		<u>\$ 360,821</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF GRANTS RECEIVABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 623,112
Increased by;	
Grants Awarded in 2016	<u>65,000</u>
	688,112
Decreased by;	
Cash Received in 2016	<u>69,506</u>
Balance, December 31, 2016	<u><u>\$ 618,606</u></u>

**Analysis of Balance, December 31, 2016**

<u>Ord. No.</u>		<u>Total</u>	<u>Pledged to Reserve</u>	<u>Pledged to Ordinance</u>
00-12	Locust Avenue/Main Avenue Intersection	\$ 1,000	\$ 1,000	
01-15	Hathaway Street	4,712	4,712	
11-5	Resurface Hathaway Street (U.S. Department of Transportation)	37,962		\$ 37,962
13-8	Reconstruction of Basketball Courts at Hathaway Street Park	20,000	20,000	
13-10	Various Public Improvements	150,000	150,000	
14-9	Rehabilitation of the Elevator at the Police Station (CDBG)	9,432		9,432
15-04	Improvements to Main Street (DOT)	149,000	149,000	
15-14	Various Park Improvements (County Open Space)	181,500	181,500	
16-16	Replacement of Curbs and Sidewalks on Anderson Ave. (CDBG)	<u>65,000</u>	<u>65,000</u>	<u>-</u>
		<u><u>\$ 618,606</u></u>	<u><u>\$ 571,212</u></u>	<u><u>\$ 47,394</u></u>

**STATEMENT OF DUE FROM WATER UTILITY CAPITAL FUND  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 1,468,896
Increased by:	
Water Utility Capital Fund Expenditures Paid by General Capital Fund	<u>361,114</u>
Balance, December 31, 2016	<u><u>\$ 1,830,010</u></u>

**BOROUGH OF WALLINGTON  
STATEMENT OF DUE FROM CURRENT FUND  
GENERAL CAPITAL FUND**

Balance, January 1, 2016		\$ 804,279
Increased by:		
Budget Appropriation:		
Capital Improvement Fund	\$ 60,000	
Payments Made to Current Fund	1,119	
Current Fund expenditures paid by General Capital Fund - Note Paydown and Interest	<u>174,160</u>	
		<u>235,279</u>
		1,039,558
Decreased By:		
Interest Earned	966	
Cash Received from Current Fund	455,023	
Cash Receipts on Behalf of Current Fund	<u>5,000</u>	
		<u>460,989</u>
Balance, December 31, 2016		<u>\$ 578,569</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED  
GENERAL CAPITAL FUND**

Balance, January 1, 2016		\$ 7,167,308
Decreased by:		
Current Fund Budget Appropriations:		
Serial Bonds Payable	\$ 425,000	
Green Acres Loan Payable	<u>11,471</u>	
		<u>436,471</u>
Balance, December 31, 2016		<u>\$ 6,730,837</u>

91

**BOROUGH OF WALLINGTON  
STATEMENT OF CAPITAL IMPROVEMENT FUND  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 19,702
Increased by:	
Budget Appropriation -Capital Improvement Fund	<u>60,000</u>
	79,702
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>64,000</u>
Balance, December 31, 2016	<u>\$ 15,702</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Balance, January 1, 2016		2016 Authorizations		Prior Year Encumbrances Restored	Expended	Balance, December 31, 2016	
		Funded	Unfunded	Capital Improvement Fund	Deferred Charges Unfunded			Funded	Unfunded
06-11	2006 Road Improvement Program	\$ 215,456					\$ 1,131	\$ 214,325	
10-8	Resurfacing Various Streets	73,575				\$ 14,704	36,093	52,186	
11-5	Resurface Hathaway Street	89,205					85,458	3,747	
11-10	Acq. Firefighter Equipment		\$ 12,569				251		\$ 12,318
12-5	Funding of Various Expenses Relating to Hurricane Irene	8,750						8,750	
12-9	Various Public Improvements	102,242						102,242	
12-13	Streetscape Improvements to Paterson Avenue and Union Boulevard		230,957				222,812		8,145
12-20/13-9	Acquisition of New Communication and Signal Systems Equipment for Use of the Police and Fire Departments		6,859				502		6,357
13-7	Acquisition of Self Contained Breathing Apparatus Equipment for Fire Department		4,357				1,790		2,567
13-10	Various Public Improvements		261,821			61,769	232,576		91,014
14-8	Resurfacing of Various Roads		233,121				233,121		-
14-9	Rehabilitation of the elevator at the Police Station	8,012						8,012	
14-14	Replacement of the Roof on the Public Library		150						150
15-04	Improvements to Main Street		193,626			216,374	231,797		178,203
15-14	Various Park Improvements	20,000	395,000				5,315	14,685	395,000
16-13	Acquisition of a New Pumper Fire Engine			\$ 36,200	\$ 723,800		699,944		60,056
16-16	Replacement of Curbs and Sidewalks on Anderson Ave.			6,700	133,300		591	6,109	133,300
16-17	Acquisition of a New Ambulance			14,100	280,900		278,418		16,582
16-21	Replacement of Alden Street Sewer Main	-	-	7,000	133,000	-	108,697	-	31,303
		<u>\$ 517,240</u>	<u>\$ 1,338,460</u>	<u>\$ 64,000</u>	<u>\$ 1,271,000</u>	<u>\$ 292,847</u>	<u>\$ 2,138,496</u>	<u>\$ 410,056</u>	<u>\$ 934,995</u>
							\$ 703,214		
							1,435,282		
							<u>\$ 2,138,496</u>		

Cash Disbursements  
Encumbrances Payable

**BOROUGH OF WALLINGTON  
STATEMENT OF RESERVE FOR GRANTS RECEIVABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 575,718
Increased by:	
Grants Awarded	<u>65,000</u>
	640,718
Decreased by:	
Cash Receipts	<u>69,506</u>
Balance, December 31, 2016	<u>\$ 571,212</u>

**Analysis of Balance**

Ord. 00-12	\$ 1,000
Ord. 01-15	4,712
Ord. 13-08	20,000
Ord. 13-10	150,000
Ord. 15-04	149,000
Ord. 15-14	181,500
Ord. 16-16	<u>65,000</u>
	<u>\$ 571,212</u>



**BOROUGH OF WALLINGTON  
STATEMENT OF SERIAL BONDS PAYABLE  
GENERAL CAPITAL FUND**

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2016</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2016</u>	<u>Decreased</u>	<u>Balance, December 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement Bonds	10/15/2003	1,227,000	10/15/2017	\$ 100,000	4.000%			
			10/15/2018	97,000	4.000%	\$ 297,000	\$ 100,000	\$ 197,000
General Improvement Bonds	8/1/2010	7,460,000	8/1/17-18	325,000	3.000%			
			8/1/19-21	450,000	3.000%			
			8/1/2022	475,000	4.000%			
			8/1/23-29	500,000	4.000%			
			8/1/2030	485,000	4.000%	<u>6,785,000</u>	<u>325,000</u>	<u>6,460,000</u>
						<u>\$ 7,082,000</u>	<u>\$ 425,000</u>	<u>\$ 6,657,000</u>
					Budget Appropriation		\$ 425,000	

**BOROUGH OF WALLINGTON  
STATEMENT OF NEW JERSEY GREEN ACRES LOAN PAYABLE  
GENERAL CAPITAL FUND**

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Loan Outstanding December 31, 2016</u>	<u>Interest Rate</u>	<u>Balance, January 1, 2016</u>	<u>Decreased</u>	<u>Balance, December 31, 2016</u>
Centennial Field Development	11/7/2002	\$ 211,000	2/14/2017 - 2022    \$11,702-\$12,926	2.00%	<u>\$    85,308</u>	<u>\$    11,471</u>	<u>\$    73,837</u>
					Budget Appropriation	<u>\$    11,471</u>	

**BOROUGH OF WALLINGTON**  
**STATEMENT OF BOND ANTICIPATION NOTES PAYABLE**  
**GENERAL CAPITAL FUND**

Ord. No.	Improvement Description	Original Amount of Note	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2016	Increased	Decreased	Balance, December 31, 2016
10-14	Acquisition of Ambulance Chassis	\$ 46,824	9/29/2011	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	\$ 6,831	\$ 1,628	\$ 6,831	\$ 1,628
11-4	Construction of Turf Field	1,425,000	9/29/2011	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	686,274	637,136	686,274	637,136
11-10	Acq. Firefighting Equipment	333,300	9/28/2012	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	296,266	259,232	296,266	259,232
12-13	Streetscape Improvements to Paterson Avenue and Union Boulevard	238,000	9/28/2012	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	225,473	212,946	225,473	212,946
12-20/13-9	Acquisition of New Communication and Signal Systems Equipment for Use of the Police and Fire Departments	357,000	9/27/2013	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	357,000	338,210	357,000	338,210
12-20/13-9	Acquisition of New Communication and Signal Systems Equipment for Use of the Police and Fire Departments	306,121	9/27/2013	9/25/2015 9/23/2016 9/23/2016	9/23/2016 9/22/2017 9/22/2017	0.62% 1.01% 1.01%	307,525	291,413 839	307,525	291,413 839
13-7	Acquisition of Self Contained Breathing Apparatus Equipment for Fire Department	384,750	9/27/2013	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	212,467	199,199	212,467	199,199
13-8	Reconstruction of Basketball Courts at Hathaway Street Park	52,300	9/27/2013	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	52,300	50,496	52,300	50,496
13-10	Various Public Improvements	419,000	9/26/2014	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	419,000	419,000	419,000	419,000
14-8	Resurface Various Streets	238,000	9/26/2014	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	238,000	238,000	238,000	238,000
14-14	Replacement of the Roof on the Public Library	79,000	9/25/2015	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	79,000	79,000	79,000	79,000
15-04	Improvement of Main Street	409,734	9/25/2015	9/25/2015 9/23/2016 9/23/2016	9/23/2016 9/22/2017 9/22/2017	0.62% 1.01% 1.01%	409,734	409,734 266	409,734	409,734 266
15-14	Various Park Improvements	395,000	9/23/2016	9/23/2016	9/22/2017	1.01%	-	395,000	-	395,000
							<u>\$ 3,289,870</u>	<u>\$ 3,532,099</u>	<u>\$ 3,289,870</u>	<u>\$ 3,532,099</u>
								\$ 396,105		
								-	\$ 153,876	
								3,135,994	3,135,994	
								<u>\$ 3,532,099</u>	<u>\$ 3,289,870</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF RESERVE FOR PURCHASE OF FIRE EQUIPMENT  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 11,595
Balance, December 31, 2016	<u>\$ 11,595</u>

**STATEMENT OF ENCUMBRANCES PAYABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 292,847
Increased by:	
Charges to Improvement Authorizations	<u>1,435,282</u>
	1,728,129
Decreased by:	
Restored to Improvement Authorizations	<u>292,847</u>
Balance, December 31, 2016	<u>\$ 1,435,282</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
GENERAL CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, January 1, <u>2016</u>	2016 <u>Authorizations</u>	Notes <u>Issued</u>	Balance, December 31, <u>2016</u>
	<u>General Improvements:</u>				
01-15	Improvements to Hathaway Street	\$ 6,712			\$ 6,712
02-3	Resurfacing of Hathaway	97			97
03-09	Acq. of Senior Citizen Bus	3,895			3,895
10-7	Refunding Tax Appeals	80,014			80,014
12-20/13-09	Acquisition of New Communication and Signal Systems				
	Equipment for Use of the Police and Fire Departments	1,475		\$ 839	636
15-04	Improvement of Main Street	266		266	
15-14	Various Park Improvements	395,000		395,000	
16-13	Acquisition of a New Pumper Fire Engine		\$ 723,800		723,800
16-16	Replacement of Curbs and Sidewalks on Anderson Ave.		133,300		133,300
16-17	Acquisition of a New Ambulance		280,900		280,900
16-21	Replacement of Alden Street Sewer Main	-	133,000	-	133,000
		<u>\$ 487,459</u>	<u>\$ 1,271,000</u>	<u>\$ 396,105</u>	<u>\$ 1,362,354</u>

**WATER UTILITY FUND**

**BOROUGH OF WALLINGTON  
STATEMENT OF CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, January 1, 2016	\$ 2,063,745	\$ 13,864
Increased by Receipts:		
Receipts from Water Collector	\$ 1,983,393	
Fire Hydrant Service	40,046	
Miscellaneous	7,488	
Receipts from Water Utility Capital Fund	46	
Interest Earned	<u>-</u>	<u>\$ 48</u>
	<u>2,030,973</u>	<u>48</u>
	4,094,718	13,912
Decreased by Disbursements:		
2016 Budget Appropriations	1,544,943	
2015 Appropriation Reserves	87,603	
Payments to Current Fund	1,400,000	
Payments to Water Utility Operating Fund		46
Payments to General Capital Fund	33,000	
Accrued Interest	<u>38,702</u>	<u>-</u>
	<u>3,104,248</u>	<u>46</u>
Balance, December 31, 2016	<u>\$ 990,470</u>	<u>\$ 13,866</u>

EXHIBIT D-6

**STATEMENT OF CASH - WATER COLLECTOR**

Increased by Receipts:	
Consumer Accounts Receivable	<u>\$ 1,983,393</u>
Decreased by Disbursements:	
Payments to Treasurer	<u>\$ 1,983,393</u>

**BOROUGH OF WALLINGTON  
ANALYSIS OF WATER UTILITY CAPITAL CASH**

		Balance, December 31, <u>2016</u>
Due to General Capital Fund		\$ 1,830,010
Due from Water Utility Operating Fund		(2,397,916)
Encumbrances Payable		284,704
Deferred Charges - Overexpenditure of Ordinance Appropriations		(85,108)
Capital Improvement Fund		54,059
<u>Improvement Authorizations:</u>		
06-12	Acquisition of Real Property	(80,458)
11-3	Acquisition of Two Dump Trucks with Plows	52
11-8	Acquisition of Vehicles & Equipment	21,132
12-21	Replacement of Various Water Mains	82,391
12-22	Replacement of Various Water Mains (Amend Ord. 11-7)	<u>305,000</u>
		<u>\$ 13,866</u>



**BOROUGH OF WALLINGTON  
STATEMENT OF CHANGE FUND  
WATER UTILITY OPERATING FUND**

Balance, January 1, 2016	\$ <u>100</u>
Balance, December 31, 2016	\$ <u><u>100</u></u>

**STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE  
WATER UTILITY OPERATING FUND**

Balance, January 1, 2016	\$ 235,150
Increased by:	
Billings	<u>2,033,432</u>
	2,268,582
Decreased by:	
Collections	<u>1,983,393</u>
Balance, December 31, 2016	\$ <u><u>285,189</u></u>

**BOROUGH OF WALLINGTON  
STATEMENT OF WATER UTILITY LIENS RECEIVABLE  
WATER UTILITY OPERATING FUND**

Balance, January 1, 2016

Water Charges	\$ 1,470	
Fire Hydrant Charges	<u>9,200</u>	
		<u>\$ 10,670</u>

Balance, December 31, 2016

Water Charges	1,470	
Fire Hydrant Charges	<u>9,200</u>	
		<u>\$ 10,670</u>

Analysis of Balance

<u>Account No.</u>	<u>Amount</u>
1715	\$ 9,938
1148	<u>732</u>
	<u>\$ 10,670</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF DUE FROM WATER UTILITY OPERATING FUND  
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2016	\$ 2,397,918
Increased by:	
Cash Disbursements	<u>46</u>
	2,397,964
Decreased by:	
Interest Earned	<u>48</u>
Balance, December 31, 2016	<u>\$ 2,397,916</u>

**STATEMENT OF FIXED CAPITAL  
WATER UTILITY CAPITAL FUND**

		Increased by:		
	Balance, January 1, 2016	Overexpenditure of <u>Ordinances</u>	Transfer from Fixed Capital Authorized and <u>Uncompleted</u>	Balance, December 31, 2016
Water System	\$ 543,064			\$ 543,064
Water Storage Tank	81,000			81,000
Foundation for Water Storage Tank	38,967			38,967
Main Extension	1,200,055			1,200,055
Meters	28,082			28,082
Engineer - Exploration of Well Site	9,226			9,226
Wells:				
Construction	143,716			143,716
Consulting Engineer	2,754			2,754
Advertising	15			15
Vehicles and Equipment	157,641			157,641
Acq. Of a Dump Truck	38,966			38,966
Various Impvts. To Water Supply System	908,112			908,112
Acq. of Two Dump Trucks	54,928			54,928
Acquisition of Pick-up Truck	20,250			20,250
Acquisition of Trucks	58,279			58,279
Acquisition of Vehicles and Equipment	850,319	\$ 251		850,570
Acquisition of Real Property	232,958			232,958
Replacement of Various Water Mains	<u>1,800,000</u>	<u>4,488</u>	<u>\$ 215,000</u>	<u>2,019,488</u>
	<u>\$ 6,168,332</u>	<u>\$ 4,739</u>	<u>\$ 215,000</u>	<u>\$ 6,388,071</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED**  
**WATER UTILITY CAPITAL FUND**

<u>Improvement Description</u>	<u>Ordinance</u>			Balance,	Transferred	Balance,
	<u>Number</u>	<u>Date</u>	<u>Amount</u>	January 1, <u>2016</u>	to Fixed <u>Capital</u>	December 31, <u>2016</u>
<b><u>General Improvements</u></b>						
Acquisition of Two Dump Trucks with Plows	11-3	3/24/2011	\$ 110,000	\$ 110,000		\$ 110,000
Acquisition of Vehicles & Equipment	11-8	7/21/2011	225,000	225,000		225,000
Replacement of Various Water Mains	12-21	12/20/2012	2,100,000	2,100,000		2,100,000
Replacement of Various Water Mains - (Amend Ord. 11-7)	12-22	12/20/2012	305,000	305,000		305,000
Hathaway Street Water Main	15-5	3/26/2015	215,000	215,000	\$ 215,000	-
				<u>\$ 2,955,000</u>	<u>\$ 215,000</u>	<u>\$ 2,740,000</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF 2015 APPROPRIATION RESERVES**  
**WATER UTILITY OPERATING FUND**

	Balance, January 1, <u>2016</u>	Prior Year Encumbrances <u>Restored</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries	\$ 29,196			\$ 29,196
Other Expenses	227,318	\$ 70,991	\$ 87,603	210,706
Deferred Charges And Statutory Expenditures				
Social Security System (O.A.S.I.)	<u>8,652</u>	<u>-</u>	<u>-</u>	<u>8,652</u>
Total Water Utility Appropriation Reserves	<u>\$ 265,166</u>	<u>\$ 70,991</u>	<u>\$ 87,603</u>	<u>\$ 248,554</u>
		Cash Disbursements	<u>\$ 87,603</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF EQUIPMENT RESERVES  
WATER UTILITY OPERATING FUND**

Balance, January 1, 2016	\$ <u>3,862</u>
Balance, December 31, 2016	\$ <u>3,862</u>

**STATEMENT OF DUE FROM GENERAL CAPITAL FUND  
WATER UTILITY OPERATING FUND**

Balance, January 1, 2016	\$ 1,217,802
Increased by:	
Cash Disbursements	<u>33,000</u>
Balance, December 31, 2016	\$ <u>1,250,802</u>

**STATEMENT OF DUE TO CURRENT FUND  
WATER UTILITY OPERATING FUND**

Balance, January 1, 2016 (Due to)	\$ 327,542
Increased by:	
Expenditures Paid By Current Fund - 2016 Budget	<u>319,805</u>
	647,347
Decreased by:	
Payments to Current Fund	<u>1,400,000</u>
Balance, December 31, 2016 (Due from)	\$ <u>752,653</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance		Balance, January 1, 2016		Overexpended	Prior Year Encumbrances		Balance, December 31, 2016		
		Date	Amount	Funded	Unfunded		Restored	Expended	Funded	Unfunded	Overexpended
11-3	Acquisition of Two Dump Trucks with Plows	3/24/2011	\$ 110,000	\$ 52					\$ 52		
11-8	Acquisition of Vehicles & Equipment	7/21/2011	225,000	24,724			\$ 10,000	\$ 13,592	21,132		
12-21	Replacement of Various Water Mains	12/20/2012	2,100,000		\$ 116,777		349,717	384,103		\$ 82,391	
12-22	Replacement of Various Water Mains (Amend Ord. 11-7)	12/20/2012	305,000		305,000				3,861	301,139	
14-13	Acquisition of New Additional or Replacement Vehicles & Equipment	9/25/2014	695,000			\$ 80,369	229,155	229,406			\$ 80,620
15-5	Hathaway Street Water Main	3/26/2015	215,000	-	2,172	-	12,057	18,717	-	-	4,488
				<u>\$24,776</u>	<u>\$ 423,949</u>	<u>\$ 80,369</u>	<u>\$ 600,929</u>	<u>\$ 645,818</u>	<u>\$ 25,045</u>	<u>\$ 383,530</u>	<u>\$ 85,108</u>
								Due to General Capital Fund	\$ 361,114		
								Encumbrances Payable	<u>284,704</u>		
									<u>\$ 645,818</u>		

**BOROUGH OF WALLINGTON  
STATEMENT OF CAPITAL IMPROVEMENT FUND  
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2016	\$	<u>54,059</u>
Balance, December 31, 2016	\$	<u>54,059</u>

**STATEMENT OF RESERVE FOR AMORTIZATION  
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2016	\$	3,445,444
Increased by:		
Notes Paid by Operating Budget	\$	53,229
Overexpenditure of Ordinances		4,739
Bonds Paid by Operating Budget		60,000
Transfer from Deferred Reserve for Amortization		<u>10,300</u>
		<u>128,268</u>
Balance, December 31, 2016	\$	<u>3,573,712</u>



**BOROUGH OF WALLINGTON**  
**STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION**  
**WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Date of Ordinance	Balance, January 1, 2016	Decreased by:		Balance, December 31, 2016
				Transfer to Reserve for Amortization - Fixed Capital		
	<b><u>General Improvements</u></b>					
11-3	Acquisition of Two Dump Trucks with Plows	3/24/2011	\$ 110,000			\$ 110,000
11-8	Acquisition of Vehicles & Equipment	7/21/2011	225,000			225,000
14-13	Acquisition of Vehicles & Equipment	9/25/2014	34,000			34,000
15-5	Hathaway Street Water Main	3/26/2015	10,300	\$ 10,300		-
			<u>\$ 379,300</u>	<u>\$ 10,300</u>		<u>\$ 369,000</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES**  
**WATER UTILITY OPERATING FUND**

Balance, January 1, 2016	\$ 9,888
Increased by:	
Charges to 2016 Budget Appropriations	<u>39,304</u>
	49,192
Decreased by:	
Cash Disbursements	<u>38,702</u>
Balance, December 31, 2016	<u>\$ 10,490</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE  
WATER UTILITY OPERATING FUND**

Balance, January 1, 2016	\$ 70,991
Increased by:	
Charges to 2016 Budget Appropriations	<u>79,012</u>
	150,003
Decreased by:	
Restored to Appropriation Reserves	<u>70,991</u>
Balance, December 31, 2016	<u><u>\$ 79,012</u></u>

**BOROUGH OF WALLINGTON  
STATEMENT OF SERIAL BONDS PAYABLE  
WATER UTILITY CAPITAL FUND**

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2016</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2016</u>	<u>Decreased</u>	<u>Balance, December 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Water Capital Improvement Bonds	10/15/2003	\$ 753,000	10/15/2017	65,000	4.000%			
			10/15/2018	68,000	4.000%	<u>\$ 193,000</u>	<u>\$ 60,000</u>	<u>\$ 133,000</u>
			Paid by Budget Appropriation				<u>\$ 60,000</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE  
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2016	Increased	Decreased	Balance, December 31, 2016
11-7	Replacement of Various Water Mains	9/28/2013	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	\$ 1,754,430	\$ 1,731,645	\$ 1,754,430	\$ 1,731,645
12-21	Replacement of Various Water Mains	9/28/2013	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	2,100,000	2,073,417	2,100,000	2,073,417
12-22	Replacement of Various Water Mains	9/28/2013	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	305,000	301,139	305,000	301,139
14-13	Acquisition of Vehicles & Equipment	9/25/2015	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	661,000	661,000	661,000	661,000
15-5	Hathaway Street Water Main	9/25/2015	9/25/2015 9/23/2016	9/23/2016 9/22/2017	0.62% 1.01%	204,700 -	204,700	204,700 -	204,700
						<u>\$ 5,025,130</u>	<u>\$ 4,971,901</u>	<u>\$ 5,025,130</u>	<u>\$ 4,971,901</u>
						Paid by Budget Appropriation			
						Renewals		\$ 53,229	
								<u>\$ 4,971,901</u>	
								<u>\$ 5,025,130</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF GRANTS RECEIVABLE  
WATER UTILITY CAPITAL FUND**

	Balance, January 1, <u>2016</u>	Balance, December 31, <u>2016</u>
County of Bergen		
Acquisition of Real Property	\$ 40,200	\$ 40,200

Analysis of Balance

Offset by Reserve for Receivable \$ 40,200

**STATEMENT OF ENCUMBRANCES PAYABLE  
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2016	\$ 600,929
Increased by:	
Charges to Improvement Authorizations	<u>284,704</u>
	885,633
Decreased by:	
Restored to Improvement Authorizations	<u>600,929</u>
Balance, December 31, 2016	<u>\$ 284,704</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF OVEREXPENDITURE OF ORDINANCE APPROPRIATION**  
**WATER UTILITY CAPITAL FUND**

Balance, January 1, 2016		\$	80,369
Increased by:			
Overexpenditure of Ordinance Appropriation: 14-13	\$	251	
Overexpenditure of Ordinance Appropriation: 15-5		<u>4,488</u>	
			<u>4,739</u>
Balance, December 31, 2016		\$	<u>85,108</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
WATER UTILITY CAPITAL FUND**

<u>Ord. No. or Date</u>	<u>Improvement Description</u>	Balance, January 1, <u>2016</u>	Balance, December 31, <u>2016</u>
06-12	Acquisition of Real Property	\$ 80,458	\$ 80,458
		<u>\$ 80,458</u>	<u>\$ 80,458</u>



**BOROUGH OF WALLINGTON**  
**PART II**  
**GOVERNMENT AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA, PSA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Wallington  
Wallington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Wallington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting 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, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Wallington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Wallington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Wallington'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 Borough'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses or schedule of findings and questioned costs, as items 2016-001, 2016-002 and 2016-003 that we consider to be material weaknesses.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Wallington'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as items 2016-001, 2016-002 and 2016-003.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Wallington in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

## Borough of Wallington's Responses to Findings

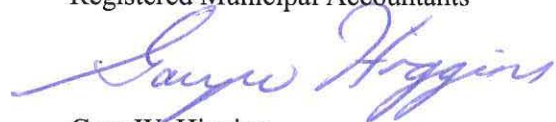
The Borough of Wallington's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of Wallington's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## 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 Borough of Wallington'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 Borough of Wallington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
July 25, 2017

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

	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Original</u> <u>Grant</u> <u>Award</u> <u>Amount</u>	<u>Current Year</u> <u>Grant</u> <u>Receipt</u>	<u>Grant</u> <u>Year</u>	<u>Balance,</u> <u>January 1,</u> <u>2016</u>	<u>Revenue</u> <u>Realized</u>	<u>Expenditures</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>	<u>Cumulative</u> <u>Expended</u>
U.S. Department of Justice									
COPS More	16.710	\$ 16,500		2004	\$ 579			\$ 579	\$ 15,921
		1,000		2008	1,000			1,000	-
COPS in School	16.710	25,000		1999	73			73	24,927
U.S. Department of Transportation									
Resurface Hathaway Street - Ord. 11-5	20.205	110,000		2011	37,962			37,962	72,038
U.S. Department of Housing and Urban Development									
(Passed through County Dept. of Community Development)									
Community Development Block Grant	14.219								
Rehabilitation of the Elevator at Police Station		43,000		2014	9,432			9,432	33,568
Replacement of Roof on the Public Library		69,506	\$ 69,506	2014					69,506
Replacement of Curbs and Sidewalks on Anderson Ave.		65,000		2016		\$ 65,000		65,000	-
Department of Law and Public Safety									
Public Assistance Grants	97.036								
FEMA		30,159	30,159	2016	-	30,159	\$ 30,159	-	30,159
					<u>\$ 49,046</u>	<u>\$ 95,159</u>	<u>\$ 30,159</u>	<u>\$ 114,046</u>	

Note - This schedule was not subject to an audit in accordance with U.S. Uniform Guidance.

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

<u>Grant Number</u>	<u>State Grant Program</u>	<u>Grant Award</u>	<u>Current Year Grant Receipt</u>	<u>Grant Award Year</u>	<u>Balance, January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2016</u>	<u>Cumulative Expended</u>
8030-150-041650-60	Supplemental Fire Services Program	\$ 1,573		Prior Years	\$ 1,573			\$ 1,573	
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	1,922		2003	1,775			1,775	\$ 147
		624		2005	624			624	-
		1,941		2007	1,941			1,941	-
		1,804		2008	1,804			1,804	-
		1,232		2009	1,232			1,232	-
		1,187		2012	1,187			1,187	-
		486		2013	486			486	-
		1,056		2014	1,056			1,056	-
		236		2015	236			236	-
		648		2016		\$ 648		648	-
		\$ 967		2017					-
1110-448-031020-22	Drunk Driving Enforcement Fund	7,946		2009	6,475			6,475	1,471
		2,792		2010	2,792			2,792	-
		3,210		2012	3,210			3,210	-
		1,977		2015	1,977			1,977	-
N/A	DEP Stormwater Grant	14,265		Prior Years	13,369			13,369	896
		2,552		2008	2,552			2,552	-
		2,039		2009	2,039			2,039	-
N/A	Clean Communities	16,122		2010	12,574		\$ 12,574	-	16,122
		15,120		2011	15,120		15,120	-	15,120
		15,120		2012	15,120		3,496	11,624	3,496
		2,535		2014	2,355			2,355	180
		16,386		2015	16,386			16,386	-
		42,645	22,722	2016		42,645		42,645	-
4900-752-178840-60	Municipal Recycling Assistance Grant	10,329		2010	10,329			10,329	-
		220		2011	220			220	-
		6,438		2012	6,438			6,438	-
		186		2013	186			186	-
		182		2014	182			182	-
		125		2015	125			125	-
		95		2016		95		95	-
N/A	Recycling Tonnage Grant	13,437		2011	11,916			11,916	1,521
		9,708		2013	9,708			9,708	-
		13,572		2014	13,572			13,572	-
		14,690		2015	14,690			14,690	-
N/A	Body Armor Replacement	2,251		2013	1,296			1,296	955
		2,187		2015	2,187			2,187	-
		2,184		2016		2,184		2,184	-
N/A	Local Domestic Preparedness Grant	50,000		2004	50,000			50,000	-
N/A	Non Public Nursing	14,800		2014	14,276			14,276	524
N/A	Municipal Alliance Program	11,500		2006	617		617	-	11,500
		10,388		2007	10,388		8,914	1,474	8,914
		11,500		2009	8,974			8,974	2,526
		11,706		2010	6,753			6,753	4,953
		6,510		2014	6,510			6,510	-
		3,377		2015	3,377			3,377	-
		3,322		2016		3,322		3,322	-
N/A	Livable Communities Grant								
	Acquisition of Fire Equipment	100,000		2005	1,977			1,977	98,023
N/A	HAVA Grant	6,586		2014	6,586			6,586	-
2015-078-6320-480-XXX	Department of Transportation								
	Improvements to Main Ave - Ordinance #15-04	149,000		2015	149,000			149,000	-
100-022-8030-620-FFFF-6120	Legislative Grant - Emergency Services Building	16,230		2001	9,530	-	-	9,530	6,700
N/A	Fire Prevention Education	500	500	2016	-	500	500	-	500
					<u>\$ 444,720</u>	<u>\$ 49,394</u>	<u>\$ 41,221</u>	<u>\$ 452,893</u>	

Note - This schedule was not subject to an audit in accordance with NJ OMB 15-08

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance.

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

**BOROUGH OF WALLINGTON  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Wallington. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 30,159	\$ 49,394	\$ 79,553
General Capital Fund	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total Financial Awards	<u>\$ 95,159</u>	<u>\$ 49,394</u>	<u>\$ 144,553</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**BOROUGH OF WALLINGTON**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 5 STATE LOAN OUTSTANDING**

The Borough's state loan outstanding at December 31, 2016, which is not required to be reported on the schedule of expenditures of state financial assistance, is as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
N.J. Green Acres Loan	4800-533-857000-60	<u>\$ 73,837</u>



**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part I – Summary of Auditor's Results*

**Financial Statements**

Type of auditors' report issued on financial statements      Modified, Unaudited LOSAP Trust Fund

Internal control over financial reporting:

1) Material weakness(es) identified                            X       yes                 no

2) Significant deficiency(ies) that are not  
considered to be material weakness(es)?                                 yes            X       none reported

Noncompliance material to the financial  
statements noted?                            X       yes                 no

**Federal Awards Section - NOT APPLICABLE**

**State Awards Section - NOT APPLICABLE**

**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

***Part 2 – Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

**Finding 2016-001:**

Our audit revealed the following:

- Certain bills that related to 2016 were not recorded as liabilities at December 31, 2016.
- Certain bills were allocated between the Current and Water Operating Funds; however no supporting documentation pertaining to the allocation was available.
- Several instances were noted where a purchase order was not generated prior to the receipt of goods/services.
- The health insurance bill for December 2016 was not recorded at December 31, 2016 due to insufficient available funds. The bill was charged to the 2016 Appropriation Reserves in 2017 after a transfer was approved.
- A receipt of goods/services signature was not obtained from a Borough employee on numerous purchase orders.

**Criteria or specific requirement:**

- Financial reporting requirements promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.
- N.J.A.C. 5:30-5.2, "Encumbrance Systems".

**Condition:**

See Finding 2016-001.

**Questioned Costs:**

None.

**Context:**

- Bills in the amount of \$92,221 were not recorded as liabilities at December 31, 2016 in the Current Fund.
- Bills in the amount of \$428,826 were not recorded as liabilities at December 31, 2016 in the General Capital Fund.
- Purchase orders are not being encumbered prior to receipt of goods/services.
- Insurance, pension and professional service bills were allocated to Water Utility Operating Fund without supporting documentation.
- The December 2016 health insurance bill in the amount of \$184,475 was not recorded at December 31, 2016. The bill was charged to the 2016 Appropriation Reserves in 2017 after a transfer was approved.
- A receipt of good/services signature was not obtained from a Borough employee on 16 out of 40 purchase orders tested.
- The following expenditures were incurred in excess of available 2016 appropriations:

Current Fund

2016 Appropriation

EMS-Other Expenses	\$2,182
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Water Capital Fund

Ordinance #14-13 Acquisition of New Additional or Replacement Vehicles & Equipment	251
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Ordinance #15-5 Hathaway Street Water Main	4,488
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**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

***Part 2 – Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

**Finding 2016-001 (Continued):**

**Effect:**

Certain appropriations were not sufficient to fund expenditures incurred by the Borough. Additionally, the financial statements were misstated with regard to certain liabilities. The financial statements have been adjusted to reflect the unrecorded liabilities where sufficient funds were available prior to subsequent approved transfers.

**Cause:**

Unknown.

**Recommendation:**

Internal control procedures over cash disbursements and liabilities be reviewed and enhanced to ensure the appropriate recording of expenditures and the payment of bills.

**Management's Response:**

Management will review internal controls relating to the purchasing/cash disbursements accounting cycle.

**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part 2 – Schedule of Financial Statement Findings*

This section identified the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of Government Auditing Standards

**Finding 2016-002**

Certain accounts in the Current, General Capital, Water Utility and Trust Funds general ledgers for the year ended December 31, 2016 were not in agreement with the subsidiary records and bank reconciliations. In addition, certain transactions were not recorded in the general ledgers and year to date cash receipts in the General Capital, Water Operating, Water Capital and Trust Funds were posted as a single general journal entry.

**Criteria**

NJAC 5:30-5.7 General Ledger Accounting Systems

**Condition**

The Current, General Capital, Water Utility and Trust Funds general ledgers were not reconciled to the respective subsidiary ledgers of the Borough on a monthly basis resulting in certain general ledger accounts being misstated.

**Context**

General ledger balances in the Current, General Capital, Water Utility and Trust Funds are not being reconciled to subsidiary records on a monthly basis.

**Effect**

Financial statements prepared from the general ledger account balances may be misstated.

**Recommendation**

The general ledgers be posted monthly and reconciled to the respective subsidiary ledgers and reconciliations on a monthly basis.

**Management's Response**

Management has reviewed this finding and has indicated that corrective action will be taken.

**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part 2 – Schedule of Financial Statement Findings*

This section identified the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of Government Auditing Standards

**Finding 2016-003**

Our audit of tax title liens indicated the following:

- A subsidiary ledger is not maintained for Borough owned municipal tax title liens.
- The Borough does not maintain an analysis of third party tax title liens and tax sale premiums and amounts outstanding at December 31, 2016.
- Prior year outstanding checks as of December 31, 2015 in the amount of \$443,916 for third party lien redemptions were cancelled in 2016 and reinstated to the balance of Reserve for Third Party Liens Redemptions/Tax Sale Premiums.

**Criteria or Specific Requirements**

- Financial reporting requirements promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Condition**

See Finding 2016-003

**Questions Costs**

None.

**Context**

- The Borough does not maintain a subsidiary ledger to report the balance of \$372,091 in municipal tax title liens receivable, as of December 31, 2016.
- The Borough does not maintain a subsidiary ledger to support the balance of \$718,962 in third party lien redemptions/tax sale premiums as of December 31, 2016.
- The Borough cancelled prior year outstanding checks for third party lien redemptions in the amount of \$443,916.

**Effect**

The balances in municipal tax title liens and reserve for third party lien redemptions/tax sale premiums may be misstated.

**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part 2 – Schedule of Financial Statement Findings*

This section identified the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of Government Auditing Standards

**Finding 2016-003 (Continued)**

**Cause**

Unknown.

**Recommendation**

Internal control procedures over the recording of municipal tax title liens and third party lien redemptions/tax sale premiums be reviewed and enhanced.

**Management's Response**

Management has reviewed the finding and has indicated that corrective action will be taken.

**BOROUGH OF WALLINGTON  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2015-001**

Our audit revealed the following:

- Certain bills that related to 2015 were not recorded as liabilities at December 31, 2015.
- Certain bills were allocated between the Current and Water Operating Funds; however no supporting documentation pertaining to the allocation was available.
- Several instances noted where purchase order was not generated prior to the receipt of goods/services.

**Status**

See Finding 2016-001.

**Finding 2015-002**

Certain accounts in the Current, General Capital, Water Utility and Trust Funds general ledgers for the year ended December 31, 2015 were not in agreement with the subsidiary records and bank reconciliations. In addition, certain transactions were not properly recorded in the general ledgers and year to date cash receipts in the General Capital, Water Operating, Water Capital and Trust Funds were posted as a single general journal entry.

**Status**

See Finding 2016-002.

**Finding 2015-003**

Our audit revealed that overexpenditures were incurred during the period under audit for the Current Fund Appropriation and a Water Capital Fund Improvement Authorization.

**Status**

See Finding 2016-001.

**Finding 2015-004**

Our audit of certain Other Trust Fund bank reconciliations revealed outstanding checks for significant amounts totaling \$434,164 relating to tax sale redemptions and certificates and \$22,756 for net pay account remained outstanding for long periods of time.

**Status**

See Finding 2016-003 and the General Comments and Recommendations.

**BOROUGH OF WALLINGTON**

**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2016**



**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -  
CURRENT FUND**

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 585,000	1.96 %	\$ 657,894	2.22 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,601,455	8.71	3,229,769	10.89
Collection of Delinquent Taxes				
and Tax Title Liens	479,849	1.61	463,790	1.56
Collection of Current Tax Levy	<u>26,191,660</u>	<u>87.72</u>	<u>25,315,976</u>	<u>85.33</u>
 Total Income	 <u>29,857,964</u>	 <u>100.00</u> %	 <u>29,667,429</u>	 <u>100.00</u> %
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	10,891,476	36.77	10,582,707	36.98 %
County Taxes	2,379,435	8.03	2,302,093	8.04
Local School Taxes	16,044,883	54.17	14,895,129	52.05
Other Expenditures	<u>304,954</u>	<u>1.03</u>	<u>837,944</u>	<u>2.93</u>
 Total Expenditures	 <u>29,620,748</u>	 <u>100.00</u> %	 <u>28,617,873</u>	 <u>100.00</u> %
Excess of Revenues Over Expenditures	237,216		1,049,556	
Adjustments to Income before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>2,182</u>		<u>31,728</u>	
Statutory Excess to Fund Balance	239,398		1,081,284	
Fund Balance, January 1	<u>1,554,607</u>		<u>1,131,217</u>	
	1,794,005		2,212,501	
Less Amount of Fund Balance Utilized as Revenue	<u>585,000</u>		<u>657,894</u>	
Fund Balance, December 31	<u>\$ 1,209,005</u>		<u>\$ 1,554,607</u>	

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -  
WATER UTILITY OPERATING FUND**

	<u>Year 2016</u>			<u>Year 2015</u>		
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>	
REVENUE AND OTHER INCOME REALIZED						
Fund Balance Utilized	\$ 158,374	6.50	%	\$ 222,000	9.21	
Collection of Water Rents	1,983,393	81.35		2,011,276	83.47	%
Miscellaneous - From Other Than Rents	<u>296,136</u>	<u>12.15</u>		<u>176,325</u>	<u>7.32</u>	
 Total Income	<u>2,437,903</u>	<u>100.00</u>	%	<u>2,409,601</u>	<u>100.00</u>	%
EXPENDITURES						
Budget Expenditures						
Operating	1,987,725	89.72	%	1,979,280	82.80	%
Deferred Charges and Statutory						
Expenditures	75,500	3.41		292,292	12.23	
Debt Service	<u>152,149</u>	<u>6.87</u>		<u>118,813</u>	<u>4.97</u>	
 Total Expenditures	<u>2,215,374</u>	<u>100.00</u>	%	<u>2,390,385</u>	<u>100.00</u>	%
 Statutory Excess to Fund Balance	222,529			19,216		
 Fund Balance, January 1	<u>221,085</u>			<u>423,869</u>		
	443,614			443,085		
Less: Utilized as Revenue:						
Current Fund						
Water Operating Fund	<u>158,374</u>			<u>222,000</u>		
 Fund Balance, December 31	\$ 285,240			\$ 221,085		

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>\$2.858</u>	<u>\$2.736</u>	<u>2.596</u>

Apportionment of Tax Rate

Municipal (Including Library Levy)	.912	.912	.878
County	.251	.245	.235
Local School	1.695	1.579	1.483

Assessed Valuation

2016	<u>\$946,602,304</u>	
2015		<u>\$943,139,032</u>
2014		<u>\$948,284,902</u>

**Comparison of Tax Levies and Collection Currently**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 27,239,293	\$ 26,191,660	96.15%
2015	25,830,573	25,315,976	98.01%
2014	24,625,451	24,040,474	97.62%

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**Delinquent Taxes and Tax Title Liens**

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

<u>December 31</u> <u>Year</u>	<u>Amount of</u> <u>Tax Title</u> <u>Liens</u>	<u>Amount of</u> <u>Delinquent</u> <u>Taxes</u>	<u>Total</u>	<u>Percentage</u> <u>of</u> <u>Tax Levy</u>
2016	\$ 372,091	\$ 1,022,776	\$ 1,394,867	5.12%
2015	372,091	547,158	919,249	3.73%
2014	342,596	545,936	888,532	3.67%

**Comparison of Water Utility Billings**

<u>Year</u>	<u>Levy</u>	<u>Collections *</u>
2016	\$2,033,432	\$1,983,393
2015	2,043,880	2,011,276
2014	1,797,961	1,805,192

\* Includes collections of prior years' receivables

**Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance,</u> <u>December 31</u>	<u>Utilized</u> <u>In Budget of</u> <u>Succeeding Year</u>
Current Fund	2016	\$1,209,005	\$715,000
	2015	1,554,607	585,000
	2014	1,131,217	657,894
	2013	1,493,824	563,049
	2012	1,287,577	455,638
Water Utility Operating Fund	2016	\$285,240	\$203,429
	2015	221,085	158,374
	2014	423,869	222,000
	2013	523,869	100,000
	2012	723,869	200,000

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS AS OF DECEMBER 31, 2016**

<u>Name</u>	<u>Title</u>
Mark Tomko	Mayor
Christopher Sinisi	Council President
Khaldoun Androwis	Councilman
Sharon Robie	Councilwoman
Joseph Brunacki IV	Councilman
Eugeniusz Rechelski	Councilman
Roman Kruk	Councilman
Witold T. Baginski	Borough Clerk
	Borough Administrator
	Officer for Searches for Municipal Improvements
Charles Cuccia	Chief Financial Officer
Dorothy Siek	Tax Collector
Katarzyna Rapacz	Water Rent Collector
Nick Melfi	Building Inspector
Richard Sedor	Code Enforcement Official
Thomas Valeo	Electrical Inspector
Stuart Stolarz	Tax Assessor (1/1/16-7/1/16)
Barbara Potash	Tax Assessor (7/1/16-12/31/16)
Lynda Branick	Sec. of Board of Health (1/1/16-5/31/16)
	Licensing Official and Registrar of Vital Statistics
	Dog Licensing Official
Paula Gilbert	Sec. of Board of Health (6/1/16-12/31/16)
	Licensing Official and Registrar of Vital Statistics
	Dog Licensing Official
Frank Recanati	Plumbing Inspector
Casimer Sondey	Magistrate
Ilona Doviak	Court Administrator
Richard Cedzidlo	Borough Attorney
Rosario Presti	Borough Prosecutor
Neglia Engineering	Borough Engineer
Marianne Willms	Library Director

All non-Court officials handling cash were insured with public officials employee dishonesty coverage issued by the South Bergen Municipal Joint Insurance Fund and Municipal Excess Liability Joint Insurance Fund in the amounts of \$50,000 and \$1,000,000 respectively.

## **BOROUGH OF WALLINGTON SUPPLEMENTARY DATA**

### **GENERAL COMMENTS**

#### **Current Year**

Our audit indicated that differences exist in ordinance account balances between the improvement authorization schedules prepared by the Chief Financial Officer and utilized in the audit and the subsidiary improvement authorization ledger for both the General Capital Fund and Water Capital Fund. It is recommended that all ordinance balances in the subsidiary improvement authorization ledger be in agreement with the audit balances.

The audit of the December 31, 2016 bank reconciliations indicated there exists certain old outstanding checks and reconciling items. It is recommended that old outstanding checks and reconciling items on the bank reconciliations be reviewed and cleared of record.

The audit disclosed that the existing Water Utility rate ordinance provides for specific rates for 2014 and 2015 but did not provide rates for 2016. The 2015 rates were utilized for the 2016 bills. It is recommended that the Water Utility rate ordinance be updated to reflect the rates for the current year.

The audit revealed that the borough does not maintain an analysis of the balance of the escrow deposits. It is recommended that the Borough maintain an analysis of the escrow deposits in the Other Trust Fund.

The audit indicated there are cash deficits for certain General Capital and Water Utility Capital ordinances that are over five years old. A recommendation is not warranted as the Borough intends on having a bond sale in 2017 to fund the ordinances that have a cash deficit.

There is a deficit balance in the Reserve for Police Vests at December 31, 2016 in the amount of \$682. No recommendation is warranted since the deficit was budgeted in the 2017 Current Fund budget.

#### **Prior Year Findings – Unresolved**

Our audit revealed that certain other reserves in the Other Trust Fund do not have approved dedication by riders from the Division of Local Government Services. It is recommended that dedication by riders be obtained or balances be disposed of for each of the other reserves in the Other Trust Fund.

Our audit revealed that 1099 forms were not issued to all eligible vendors paid in excess of \$600 from Borough accounts. It is recommended that internal controls be enhanced to ensure 1099 forms are issued to all eligible vendors paid in excess of \$600 from Borough accounts.

Our audit indicated that the December 31, 2015 corrective action plan was not approved by Governing Body resolution. It is recommended that the corrective action plan be submitted to the Governing Body for approval by resolution.

The audit indicated there exists excess balances in the payroll bank accounts. It is recommended that the excess balances in the payroll bank accounts be reviewed.

There are various appropriated grant reserves balances that remain unexpended for several years. It is recommended that the appropriated grant reserves be reviewed for proper disposition.

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

**Prior Year Findings – Unresolved (Continued)**

The audit indicated there is no independent verification of payroll deductions remitted by the Borough's third party payroll provider. It is recommended that the Borough implement procedures to verify the payment of payroll deductions by its third party payroll provider.

The audit indicated that there are various interfunds outstanding at December 31, 2016 resulting from current and prior year transactions. Additionally, certain transactions undertaken in the Current Fund on behalf of other funds were not reported in the respective corresponding funds general ledger. It is recommended that all interfunds be cleared of record as of December 31 and all interfund transactions be recorded in both funds affected.

The audit of the Municipal Court indicated that the Tickets Assigned Not Issued Report includes 325 tickets that were outstanding in excess of six months. It is recommended that with respect to the Municipal Court, tickets assigned not issued in excess of six months be recalled.

The audit of payroll revealed that the employer's address reported on the Borough's quarterly federal tax return is the payroll service company and not the Borough. It is recommended that the Borough's address and not the payroll service company's address be properly reported on all federal tax returns and correspondence.

**Contracts and Agreements Required to be Advertised for NJS 40A:11-4**

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement."

The Governing Body of the Municipality 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 Borough Counsel's opinion should be sought before a commitment is made.

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

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

Roadway Improvements of Park Road and Alden Street  
Streetscape Improvements – Paterson Ave. & Union Blvd.  
Solid Waste, Recycling and Yard Waste

Our examination of expenditures did not reveal any instances where individual payments exceeded \$17,500 "for the performance of any work or the furnishing or hiring of any materials or supplies," where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJSA. 40A:11-6.

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

**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 non-payment of taxes or assessments on or before the date when they would become delinquent.

The governing body on March 27, 1980, adopted the following ordinance authorizing the amount of interest to be charged on delinquent taxes and assessments:

WHEREAS, Chapter 435 of the Laws of 1980 allows a governing body to set interest rates on delinquent taxes at a higher level than previously permitted by law;

NOW, THEREFORE, BE IT ORDAINED by the Governing Body of the Borough of Wallington, County of Bergen, State of New Jersey, that the interest rate to be charged by the Borough of Wallington on taxes or assessments not timely paid shall be eight (8%) percent per annum on the first \$1,500 of delinquent assessments and taxes; and eighteen (18%) percent per annum on delinquent assessments and taxes in excess of \$1,500, all to be calculated from the date the tax was payable until the date of actual payment.

It appears from an examination of the collector's record that interest was collected in accordance with the foregoing resolution.

**Delinquent Taxes and Tax Title Liens**

The tax sale was held on December 21, 2016.

Inspection of tax sale certificates on file revealed that all tax sale certificates were not available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2016	Unknown
2015	Unknown
2014	Unknown

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 tax paying basis.

**Suggestions to Management**

- Prior years General Capital Fund unexpended improvement authorization balances should be reviewed and cancelled where appropriate.



**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS**

It is recommended that:

- \* 1. Internal control procedures over cash disbursements and liabilities be reviewed and enhanced to ensure the appropriate recording of expenditures and the payment of bills.
- \* 2. The general ledgers be posted monthly and reconciled to the respective subsidiary ledgers and reconciliations on a monthly basis.
- \* 3. Internal control procedures over the recording of municipal tax title liens and third party lien redemptions/tax sale premiums be reviewed and enhanced.
- 4. All ordinance balances in the subsidiary improvement authorization ledger be in agreement with the audit balances.
- 5. Old outstanding checks and reconciling items on the bank reconciliations be reviewed and cleared of record.
- 6. The Water Utility rate ordinance be updated to reflect the rates for the current year.
- 7. The Borough maintain an analysis of the escrow deposits in the Other Trust Fund.
- \* 8. Dedication by riders be obtained or balances be disposed of for each of the other reserves in the Other Trust Fund.
- \* 9. Internal controls be enhanced to ensure 1099 forms are issued to all eligible vendors paid in excess of \$600 from Borough accounts.
- \* 10. The corrective action plan be submitted to the Governing Body for approval by resolution.
- \* 11. The excess balances in the payroll bank accounts be reviewed.
- \* 12. Appropriated grant reserves be reviewed for proper disposition.
- \* 13. The Borough implement procedures to verify the payment of payroll deductions by its third party payroll provider.
- \* 14. All interfunds be cleared of record as of December 31 and all interfund transactions be recorded in both funds affected.
- \* 15. With respect to the Municipal Court tickets assigned not issued in excess of six months be recalled.
- \* 16. The Borough's address and not the payroll service company's address be properly reported on all federal tax returns and correspondence.

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

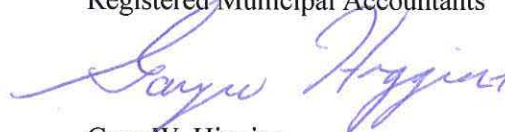
\* \* \* \* \*

A review was performed on all prior year's recommendations. Those recommendations which have not been corrected and which are repeated in this audit are denoted with an asterisk (\*).

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405