

**BOROUGH OF WALLINGTON**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2017**

# BOROUGH OF WALLINGTON

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**BOROUGH OF WALLINGTON**

**COUNTY OF BERGEN**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## **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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 53 percent and 44 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2017 and 2016.

In addition, the notes to the Borough’s financial statements do not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement Number 45 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

***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 and the omission of the note disclosures regarding the post-employment benefit obligations 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, 2017 and 2016, 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.

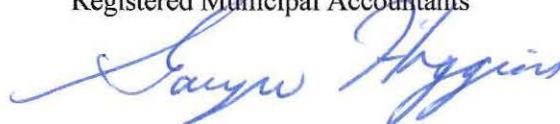
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2018 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 the effectiveness of the Borough of Wallington's 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  
June 25, 2018

**BOROUGH OF WALLINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash - Collector - Treasurer	A-4	\$ 3,961,004	\$ 3,738,412
Cash - Change Fund	A-5	100	100
Cash - Petty Cash	A-6	100	100
Federal and State Grants Receivable	A-20	<u>2,028</u>	<u>34,365</u>
		<u>3,963,232</u>	<u>3,772,977</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	923,543	1,022,776
Tax Title Liens Receivable	A-9	752,650	372,091
Due from Other Trust Fund	B-7	179,142	161,900
Due from Animal Control Fund	B-4	22,826	20,200
Revenue Accounts Receivable	A-10	<u>11,582</u>	<u>10,313</u>
		<u>1,889,743</u>	<u>1,587,280</u>
Deferred Charges:			
Emergency Authorizations	A-19	50,000	-
Overexpenditure of Appropriations	A-25	<u>146,899</u>	<u>33,910</u>
		<u>196,899</u>	<u>33,910</u>
Total Assets		<u>\$ 6,049,874</u>	<u>\$ 5,394,167</u>

**BOROUGH OF WALLINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,A-11	\$ 403,654	\$ 401,942
Encumbrances Payable	A-12	225,275	260,010
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	319,604	311,021
Unappropriated Reserves for Federal and State Grants	A-22	151,394	44,770
Prepaid Taxes	A-13	493,766	167,033
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-7	938	688
County Taxes Payable	A-15	4,860	15,611
Miscellaneous Fees Payable	A-17	1,213	475
Due to General Capital Fund	C-6	627,936	578,569
Due to Water Utility Operating Fund	D-17	910,263	752,653
Amount Due to Library - State Aid	A-23	19,770	14,850
Reserve for Insurance Proceeds	A-26	50,000	
Tax Overpayments	A-14	<u>26,508</u>	<u>36,565</u>
		3,248,876	2,597,882
Reserve for Receivables	A	1,889,743	1,587,280
Fund Balance	A-1	<u>911,255</u>	<u>1,209,005</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,049,874</u>	<u>\$ 5,394,167</u>

**BOROUGH OF WALLINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 715,000	\$ 585,000
Miscellaneous Revenues	A-2	1,633,831	2,173,205
Receipts from Delinquent Taxes	A-2	836,242	479,849
Receipts from Current Taxes	A-2	26,677,312	26,191,660
Non-Budget Revenues	A-2	287,977	162,965
Other Credits to Income:			
Interfunds Liquidated	A	-	3,000
Unappropriated Grant Reserves Cancelled	A-22	138,245	-
Unexpended Balance of Appropriation Reserves	A-11	<u>143,672</u>	<u>262,285</u>
Total Income		<u>30,432,279</u>	<u>29,857,964</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	3,904,606	3,869,853
Other Expenses	A-3	5,369,604	5,140,644
Capital Improvements	A-3	50,000	60,000
Municipal Debt Service	A-3	904,705	872,311
Deferred Charges and Statutory			
Expenditures	A-3	976,996	948,668
Judgments	A-3	10,000	-
Local District School Tax	A-16	16,309,286	16,044,883
County Tax	A-15	2,382,750	2,338,895
County Share of Added and Omitted Taxes	A-15	5,536	16,286
County Open Space Tax	A-15	99,317	24,254
Prior Year Tax Appeals Granted	A-4	54,099	279,116
Refund of Prior Year Revenue	A-1	-	18,548
Grant Receivables Cancelled	A-20	32,337	-
Interfunds Established	A	<u>19,868</u>	<u>7,290</u>
Total Expenditures		<u>30,119,104</u>	<u>29,620,748</u>
Excess of Revenues over Expenditures		313,175	237,216
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3, A-19	<u>104,075</u>	<u>2,182</u>
Statutory Excess to Fund Balance	A-25	417,250	239,398
FUND BALANCE, JANUARY 1	A	<u>1,209,005</u>	<u>1,554,607</u>
		1,626,255	1,794,005
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>715,000</u>	<u>585,000</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 911,255</u>	<u>\$ 1,209,005</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, 2017**

	Reference	2017 <u>Anticipated</u> <u>Budget</u>	2017 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 715,000	\$ 715,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-10	16,900	16,724	\$ (176)
Other	A-2	10,800	11,304	504
Fees and Permits				
Other	A-2	9,500	12,253	2,753
Fines and Costs				
Municipal Court	A-10	169,000	183,950	14,950
Interest and Costs on Taxes	A-10	127,000	203,202	76,202
Interest on Investments and Deposits	A-2	20,000	51,318	31,318
Energy Receipts Tax	A-10	606,001	606,001	-
Consolidated Municipal Property Tax Relief	A-10	67,453	67,453	-
Uniform Construction Code Fees	A-10	120,000	101,698	(18,302)
State and Federal Revenues Offset with Appropriations				
Reserve for Municipal Alliance on Alcoholism and Drug Abuse	A-22	8,977	8,977	
Reserve for Recycling Tonnage Grant	A-22	4,710	4,710	
Reserve for Municipal Recycling Grant	A-22	116	116	
Reserve for Alcohol Education & Rehabilitation	A-22	967	967	
Other Special Items				
Uniform Safety Act	A-10	13,100	15,683	2,583
Contribution from Board of Education	A-10	125,000	125,000	-
Cell Tower Rental Fee	A-10	99,000	54,246	(44,754)
Other Rental Revenue	A-10	-	37,500	37,500
CATV Franchise Fee	A-10	132,729	132,729	-
Total Miscellaneous Revenues	A-1	1,531,253	1,633,831	102,578
Receipts from Delinquent Taxes	A-2	789,000	836,242	47,242

**BOROUGH OF WALLINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

		2017 <u>Anticipated</u>	2017 <u>Realized</u>	Excess or (Deficit)
	<u>Reference</u>	<u>Budget</u>		
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes	A-8	\$ 8,548,184	\$ 8,351,798	\$ (196,386)
Minimum Library Tax	A-8	<u>328,625</u>	<u>328,625</u>	<u>-</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>8,876,809</u>	<u>8,680,423</u>	<u>(196,386)</u>
Total General Revenue	A-3	<u>\$ 11,912,062</u>	11,865,496	<u>\$ (46,566)</u>
Non-Budget Revenue	A-1,A-2		<u>287,977</u>	
			<u>\$ 12,153,473</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 26,677,312
Allocated to		
School and County Taxes	A-15,A-16	<u>18,796,889</u>
		7,880,423
Add: Appropriation for Reserve for Uncollected Taxes	A-3	<u>800,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 8,680,423</u>
Analysis of Delinquent Taxes		
Taxes Receivable	A-8	<u>\$ 836,242</u>
	A-2	<u>\$ 836,242</u>
Licenses - Other		
Borough Clerk	A-10	\$ 3,845
Registrar of Vital Statistics	A-10	299
Board of Health	A-10	<u>7,160</u>
	A-2	<u>\$ 11,304</u>
Fees and Permits - Other		
Borough Clerk	A-10	\$ 10,215
Registrar of Vital Statistics	A-10	30
Fire Prevention	A-10	1,296
Planning and Zoning Boards	A-10	315
Board of Health	A-10	4
Police	A-10	<u>393</u>
	A-2	<u>\$ 12,253</u>
Interest on Investments		
Revenue Accounts Receivable	A-10	\$ 37,290
Due from Animal Control Fund	B-4	238
Due from Other Trust Fund	B-7	3,664
Due from General Capital Fund	C-6	<u>10,126</u>
	A-2	<u>\$ 51,318</u>
Non-Budget Revenue		
Copies of Tax Bills		\$ 190
Insurance Dividend		206,824
DMV Fines		4,245
Photocopies		171
Police Outside Duty Admin. Fees		30,063
Police Reports		860
Administrative Fee - Senior Citizen & Veterans		1,325
Certified Copies		9,420
Group Insurance Refund		13,220
Statutory Excess - Animal Control Fund		2,607
Polling Place		240
Other Miscellaneous		<u>18,812</u>
	A-2	<u>\$ 287,977</u>
Non-Budget Revenues		
Cash Receipts	A-4	\$ 285,370
Due from Animal Control Fund - Statutory Excess	B-4	<u>2,607</u>
	A-2	<u>\$ 287,977</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, 2017**

	2017 Appropriated		2017 Expended			
	<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	\$ 20,300	\$ 20,244	\$ 56		
General Administration						
Salaries and Wages	26,250	26,250	25,961	289		
Municipal Clerk/Elections						
Salaries and Wages	169,621	181,621	181,186	435		
Other Expenses	55,000	58,000	57,717	283		
Financial Administration						
Salaries and Wages	29,275	29,275	29,273	2		
Other Expenses	50,000	50,000	42,745	7,255		
Audit Services	12,240	12,240	12,240	-		
Grant Writer						
Other Expenses	24,000	24,000	24,000	-		
Revenue Administration						
Salaries and Wages	55,978	55,978	55,915	63		
Other Expenses	13,000	12,450	11,981	469		
Assessment Administration						
Salaries and Wages	14,810	14,810	14,690	120		
Other Expenses	10,000	10,000	1,585	8,415		
Legal Service and Costs						
Other Expenses	136,000	136,000	133,542	2,458		
Engineering Services and Costs						
Other Expenses	20,000	20,000	16,424	3,576		
Planning Board						
Salaries and Wages	3,781	3,781	3,569	212		
Other Expenses	7,800	7,800	5,286	2,514		
Zoning Board of Adjustment						
Salaries and Wages	1,652	1,802	1,752	50		
Other Expenses	6,900	6,900	4,490	2,410		
Insurance						
Unemployment Insurance	1,000	1,000		1,000		
Employee Group Insurance	1,643,400	1,643,400	1,638,615	4,785		
Health Benefit Waiver	10,000	-		-		
Liability	28,280	28,280	14,126	14,154		
Liability (South Bergen JIF)	208,200	208,200	152,167	56,033		
Worker's Compensation (South Bergen JIF)	233,200	203,200	156,315	46,885		
PUBLIC SAFETY FUNCTIONS						
Police						
Salaries and Wages	2,983,545	3,073,545	3,052,258	21,287		
Other Expenses	165,000	165,000	164,393	607		
Fire						
Other Expenses	185,000	185,000	185,432	-		\$ 432
EMS						
Other Expenses	40,000	40,000	36,280	3,720		
Uniform Fire Safety						
Salaries and Wages	14,857	14,857	14,566	291		
Other Expenses	1,500	1,500	315	1,185		
Fire Prevention Bureau						
Other Expenses	20,000	20,000	19,561	439		
Emergency Management Services						
Other Expenses	1,000	1,000	156	844		

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, 2017**

	<u>2017 Appropriated</u>		<u>2017 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" (Cont'd)						
PUBLIC SAFETY FUNCTIONS (Cont'd)						
Municipal Prosecutor						
Salaries and Wages	\$ 10,451	\$ 10,451	\$ 9,880	\$ 571		
Public Defender						
Other Expenses	5,000	5,000	4,950	50		
PUBLIC WORK FUNCTIONS						
Streets and Roads Maintenance						
Salaries and Wages	150,000	150,000	193,158	-		\$ 43,158
Other Expenses	80,000	80,000	75,503	4,497		
Shade Tree						
Other Expenses	20,000	20,000	19,679	321		
Solid Waste Collection (Garbage and Trash, Recycling)						
Salaries and Wages	5,200	5,200	4,807	393		
Other Expenses	732,000	732,000	722,812	9,188		
Buildings and Grounds						
Other Expenses	65,000	115,000	92,945	22,055		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	98,929	98,929	93,772	5,157		
Other Expenses	33,500	33,500	33,370	130		
Animal Control Services						
Other Expenses	8,400	8,600	8,490	110		
PARK AND RECREATION FUNCTIONS						
Board of Recreation Commissioners (R.S. 40-17.1)						
Salaries and Wages	14,000	14,000	14,000	-		
Other Expenses	40,000	40,000	39,812	188		
Senior Citizens						
Other Expenses	5,000	5,000	675	4,325		
Maintenance of Parks						
Other Expenses	18,000	18,000	17,574	426		
Celebration of Public Events						
Other Expenses	8,000	8,000	7,318	682		
UNIFORM CONSTRUCTION CODE APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)						
Construction Code Official						
Salaries and Wages	64,781	64,781	75,266	-		10,485
Other Expenses	5,000	5,000	696	4,304		
Other Code Enforcement and Functions						
Rent Leveling Board						
Salaries and Wages	1,600	1,600	1,560	40		
Parking Sticker Program						
Salaries and Wages	30,000	-				
Other Expenses	35,000	-				

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, 2017**

	<u>2017 Appropriated</u>		<u>2017 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	\$ 86,000	\$ 86,000	\$ 85,829	\$ 171		
Street Lighting	84,000	84,000	78,197	5,803		
Communications	40,000	40,000	33,315	6,685		
Sewerage Processing and Disposal						
Other Expenses	35,000	35,000	33,806	1,194		
Gasoline	15,000	15,000	8,180	6,820		
Municipal Court						
Salaries and Wages	83,783	83,783	72,525	11,258		
Other Expenses	12,000	12,000	10,747	1,253	-	-
Total Operations Within "CAPS"	<u>7,977,033</u>	<u>8,027,033</u>	<u>7,815,650</u>	<u>265,458</u>	<u>-</u>	<u>\$ 54,075</u>
Detail:						
Salaries and Wages	3,778,613	3,850,963	3,864,382	40,224		53,643
Other Expenses	4,198,420	4,176,070	3,951,268	225,234	-	432
DEFERRED CHARGES AND STATUTORY						
EXPENDITURES - MUNICIPAL						
WITHIN "CAPS"						
Deficit in Other Reserves						
Police Vest Fund	682	682	682	-		
Overexpenditure of Budget Appropriation	33,910	33,910	33,910	-		
Social Security System (O.A.S.I.)	140,000	140,000	135,231	4,769		
Public Employees' Retirement System	94,603	94,603	94,603	-		
Police and Firemen's Retirement System	655,486	655,486	655,486	-		
Police and Firemen's Retirement System - ERIP	36,649	36,649	36,649	-		
Public Employees' Retirement System - ERIP	15,666	15,666	15,666	-	-	-
Total Deferred Charges and Statutory						
Expenditures - Municipal Within "CAPS"	<u>976,996</u>	<u>976,996</u>	<u>972,227</u>	<u>4,769</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal						
Purposes Within "CAPS"	<u>8,954,029</u>	<u>9,004,029</u>	<u>8,787,877</u>	<u>270,227</u>	<u>-</u>	<u>54,075</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Appropriated		2017 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	\$ 710,463	\$ 710,463	\$ 710,368	\$ 95		
East Rutherford Sewer Fees	6,500	6,500	-	6,500		
Recycling Tax Appropriation	11,800	11,800	-	11,800		
Maintenance of Free Public Library	328,625	328,625	323,792	4,833		
Interlocal Services Agreement (County of Bergen)-911	8,700	8,700	8,501	199		
Length of Service Award Program (LOSAP)	110,000	110,000	-	110,000	-	-
Total Other Operations Excluded from "CAPS"	1,176,088	1,176,088	1,042,661	133,427	-	-
<b>Public and Private Programs Offset by Revenues</b>						
Reserve for Alcohol Education and Rehabilitation	967	967	967	-		
Reserve for Recycling Tonnage Grant	4,710	4,710	4,710	-		
Reserve for Municipal Alliance on Alcoholism	8,977	8,977	8,977	-		
Municipal Alliance on Alcoholism - Match	2,244	2,244	2,244	-		
Reserve for Municipal Recycling Grant	116	116	116	-	-	-
Total Public and Private Programs Offset by Revenues	17,014	17,014	17,014	-	-	-
Total Operations Excluded from "CAPS"	1,193,102	1,193,102	1,059,675	133,427	-	-
<b>Detail:</b>						
Other Expenses	1,193,102	1,193,102	1,059,675	133,427	-	-
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>						
Capital Improvement Fund	50,000	50,000	50,000	-	-	-
Total Capital Improvements Excluded from "CAPS"	50,000	50,000	50,000	-	-	-
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>						
Payment of Bond Principal	425,000	425,000	425,000	-		
Payment of Bond Anticipation Notes	184,955	184,955	184,955	-	\$ -	
Interest on Bonds	246,280	246,280	246,280	-		
Interest on Notes	35,575	35,575	35,349	-	226	
Green Trust Loan Program:						
Loan Repayments of Principal and Interest	13,121	13,121	13,121	-	-	-
Total Municipal Debt Service Excluded from "CAPS"	904,931	904,931	904,705	-	226	-

**BOROUGH OF WALLINGTON  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Appropriated		2017 Expended			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
Judgements	\$ 10,000	\$ 10,000	\$ 10,000	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,158,033	2,158,033	2,024,380	\$ 133,427	\$ 226	-
Subtotal General Appropriations	11,112,062	11,162,062	10,812,257	403,654	226	\$ 54,075
Reserve for Uncollected Taxes	800,000	800,000	800,000	-	-	-
Total General Appropriations	<u>\$ 11,912,062</u>	<u>\$ 11,962,062</u>	<u>\$ 11,612,257</u>	<u>\$ 403,654</u>	<u>\$ 226</u>	<u>\$ 54,075</u>
<u>Reference</u>	A-2	A-2		A		A-25
		<u>Ref.</u>				
Adopted Budget	A-2	\$ 11,912,062				
Added by Emergency Authorization	A-19	50,000				
	A-3	<u>\$ 11,962,062</u>				

**BOROUGH OF WALLINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Reference</u>	<u>Paid or Charged</u>
Cash Disbursements	A-4	10,513,078
Encumbrances Payable	A-12	197,573
Deferred Charges:		
Overexpenditure of Appropriations	A-25	33,910
Due to General Capital Fund		
Capital Improvement Fund	C-6	50,000
Transferred to Appropriated Grant Reserves	A-21	17,014
Due to Other Trust Fund - Deficit in Trust Reserves	B-7	682
Reserve for Uncollected Taxes	A-2	800,000
		<u>\$ 11,612,257</u>

**BOROUGH OF WALLINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	\$ 28,590	\$ 25,740
Due from State of New Jersey - Department of Health	B-3	<u>7</u>	<u>7</u>
Total Assets		<u>28,597</u>	<u>25,747</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	<u>1,078,584</u>	<u>1,303,239</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)</b>			
Investments	B	1,163,967	969,509
Intergovernmental Receivable	B	<u>96,908</u>	<u>92,221</u>
		<u>1,260,875</u>	<u>1,061,730</u>
Total Assets		<u>\$ 2,368,056</u>	<u>\$ 2,390,716</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to Current Fund	B-4	\$ 22,826	\$ 20,200
Reserve for Animal Control Expenditures	B-2	<u>5,771</u>	<u>5,547</u>
		<u>28,597</u>	<u>25,747</u>
<b>OTHER TRUST FUND</b>			
Reserve for Escrow Deposits	B-6	3,850	3,850
Payroll Deductions Payable	B-9	58,711	68,232
Due to Current Fund	B-7	179,142	161,900
Other Reserves	B-5	783,714	1,021,183
Due to Water Utility Operating Fund	B-10	14,805	14,805
Reserve for Unemployment Compensation Ins. Claims	B-8	<u>38,362</u>	<u>33,269</u>
		<u>1,078,584</u>	<u>1,303,239</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)</b>			
Reserve for LOSAP Benefits	B	<u>1,260,875</u>	<u>1,061,730</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,368,056</u>	<u>\$ 2,390,716</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, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 189,736	\$ 360,821
Due from Current Fund	C-6	627,936	578,569
Due from Water Utility Capital Fund	C-5	1,965,234	1,830,010
Grants Receivable	C-4	618,606	618,606
Overexpenditure of Ordinance Appropriations	C-17	2,636	-
Deferred Charges to Future Taxation:			
Funded	C-7	10,381,134	6,730,837
Unfunded	C-8	<u>1,510,118</u>	<u>4,824,947</u>
 Total Assets		 <u>\$ 15,295,400</u>	 <u>\$ 14,943,790</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	C-12	\$ 10,319,000	\$ 6,657,000
Bond Anticipation Notes Payable	C-14	462,500	3,532,099
Green Acres Loan Payable	C-13	62,134	73,837
Improvement Authorizations			
Funded	C-10	780,266	410,056
Unfunded	C-10	1,245,037	934,995
Reserve for Grants Receivable	C-11	571,212	571,212
Due to Water Utility Operating Fund	D-16	1,250,802	1,250,802
Capital Improvement Fund	C-9	17,602	15,702
Encumbrances Payable	C-16	229,890	1,435,282
Reserve for Purchase of Fire Equipment	C-15	11,595	11,595
Reserve to Pay Debt Service	C-18	250,000	
Fund Balance	C-1	<u>95,362</u>	<u>51,210</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 15,295,400</u>	 <u>\$ 14,943,790</u>

There were bonds and notes authorized but not issued at December 31, 2017 and 2016 of \$1,047,618 and \$1,362,354 respectively (Exhibit C-19).

**BOROUGH OF WALLINGTON**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Fund Balance, January 1	C	\$ 51,210	\$ 51,210
Increased By:			
Premium on Sale of Bonds and Notes	C-2	<u>44,152</u>	<u>-</u>
Fund Balance, December 31	C	<u>\$ 95,362</u>	<u>\$ 51,210</u>



**BOROUGH OF WALLINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
WATER UTILITY OPERATING FUND  
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash - Treasurer	D-5	\$ 917,942	\$ 990,470
Change Fund - Collector	D-8	100	100
Due from General Capital Fund	D-16	1,250,802	1,250,802
Due from Current Fund	D-17	910,263	752,653
Due from Other Trust Fund	B-10	<u>14,805</u>	<u>14,805</u>
		<u>3,093,912</u>	<u>3,008,830</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-9	267,075	285,189
Water Utility Liens Receivable	D-10	<u>10,670</u>	<u>10,670</u>
		<u>277,745</u>	<u>295,859</u>
Total Assets		<u>\$ 3,371,657</u>	<u>\$ 3,304,689</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	D-3,D-14	\$ 91,598	\$ 232,310
Encumbrances Payable	D-23	142,684	79,012
Accrued Interest on Bonds and Loans	D-22	14,325	10,490
Due to Water Utility Capital Fund	D-11	2,483,012	2,397,916
Equipment Reserves	D-15	<u>3,862</u>	<u>3,862</u>
		2,735,481	2,723,590
Reserve for Receivables	D	277,745	295,859
Fund Balance	D-1	<u>358,431</u>	<u>285,240</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,371,657</u>	<u>\$ 3,304,689</u>

**BOROUGH OF WALLINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**WATER UTILITY CAPITAL FUND**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash	D-5,D-7	\$ 13,878	\$ 13,866
Fixed Capital	D-12	6,388,594	6,388,071
Fixed Capital Authorized and Uncompleted	D-13	2,740,000	2,740,000
Due from Water Utility Operating Fund	D-11	2,483,012	2,397,916
Overexpenditure of Ordinance Appropriations	D-28	523	85,108
Grants Receivable	D-26	<u>40,200</u>	<u>40,200</u>
Total Assets		<u>\$ 11,666,207</u>	<u>\$ 11,665,161</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	D-24	\$ 68,000	\$ 133,000
Bond Anticipation Note Payable	D-25	4,918,672	4,971,901
Improvement Authorizations - Funded	D-18	21,384	25,045
Improvement Authorizations - Unfunded	D-18	330,775	383,530
Reserve for			
Amortization	D-20	3,692,464	3,573,712
Deferred Amortization	D-21	369,000	369,000
Grants Receivable	D-26	40,200	40,200
Due to General Capital Fund	C-5	1,965,234	1,830,010
Capital Improvement Fund	D-19	54,059	54,059
Encumbrances Payable	D-27	159,100	284,704
Fund Balance	D-4	<u>47,319</u>	<u>-</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 11,666,207</u>	<u>\$ 11,665,161</u>

There were bonds and notes authorized but not issued at December 31, 2017 and 2016 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, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-2	\$ 203,429	\$ 158,374
Rents	D-2	2,033,106	1,983,393
Fire Hydrant Service	D-2	45,084	40,046
Miscellaneous Revenue Anticipated	D-2	7,489	7,536
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-14	<u>221,441</u>	<u>248,554</u>
Total Revenues		<u>2,510,549</u>	<u>2,437,903</u>
<b>EXPENDITURES</b>			
Operating			
Salaries and Wages	D-3	412,860	449,725
Other Expenses	D-3	1,483,000	1,538,000
Deferred Charges and Statutory Expenditures	D-3	160,608	75,500
Debt Service	D-3	<u>177,461</u>	<u>152,149</u>
Total Expenditures		<u>2,233,929</u>	<u>2,215,374</u>
Statutory Excess to Fund Balance		276,620	222,529
FUND BALANCE, JANUARY 1	D	<u>285,240</u>	<u>221,085</u>
		561,860	443,614
Decreased by:			
Utilized by Water Operating Budget	D-1	<u>203,429</u>	<u>158,374</u>
FUND BALANCE, DECEMBER 31	D	<u>\$ 358,431</u>	<u>\$ 285,240</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF REVENUES - REGULATORY BASIS  
WATER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Reference</u>	2017 <u>Anticipated Budget</u>	2017 <u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 203,429	\$ 203,429	
Rents	D-1,D-6	1,983,000	2,033,106	\$ 50,106
Fire Hydrant Service	D-1,D-5	40,000	45,084	5,084
Miscellaneous Charges	D-1,D-2	<u>7,500</u>	<u>7,489</u>	<u>(11)</u>
		<u>\$ 2,233,929</u>	<u>\$ 2,289,108</u>	<u>\$ 55,179</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	\$ 116
Miscellaneous Cash Receipts	D-5	<u>7,373</u>
	D-2	<u>\$ 7,489</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
WATER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u> <u>Appropriated</u>		<u>2017 Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries	\$ 412,860	\$ 412,860	\$ 404,963	\$ 7,897
Other Expenses	1,483,000	1,483,000	1,408,472	74,528
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Deferred Charges:				
Overexpenditure of Ordinance	85,108	85,108	85,108	
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	16,327	9,173
DEBT SERVICE				
Payment of Bond Principal	65,000	65,000	65,000	
Payment of Note Principal	53,229	53,229	53,229	
Interest on Bonds	4,779	4,779	4,779	
Interest on Notes	54,453	54,453	54,453	-
Total Water Utility Appropriations	<u>\$ 2,233,929</u>	<u>\$ 2,233,929</u>	<u>\$ 2,142,331</u>	<u>\$ 91,598</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	\$ 1,512,917
Encumbrances Payable	D-23	142,684
Due to Current Fund	D-17	342,390
Overexpenditure of Ordinances	D-28	85,108
Accrued Interest	D-22	59,232
		<u>\$ 2,142,331</u>

**BOROUGH OF WALLINGTON**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**WATER UTILITY CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Fund Balance, January 1	D	\$ -	\$ -
Increased By:			
Premium on Note Sale	C-5	<u>47,319</u>	<u>-</u>
Fund Balance, December 31	D	<u>\$ 47,319</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WALLINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</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>6,965,394</u>	<u>5,947,482</u>
	<u>\$ 15,481,804</u>	<u>\$ 14,463,892</u>
 <b>LIABILITIES</b>		
Investment in General Fixed Assets	<u>\$ 15,481,804</u>	<u>\$ 14,463,892</u>

## **NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF WALLINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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 ambulance 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, 2017 AND 2016**

**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, 2017 AND 2016**

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

**C. Basis of Presentation – Financial Statements (Continued)**

**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, 2016 balances to conform to the December 31, 2017 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.

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

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, 2017 AND 2016**

**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, 2017 AND 2016**

**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 acquisition value at the date of donation.

**BOROUGH OF WALLINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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 are 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 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, 2017 AND 2016**

**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 2017 and 2016 the Borough Council increased the original budget by \$50,000 and \$23,222. The increase for 2017 was attributable to an emergency resolution for buildings and grounds – other expenses and the increases for 2016 were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2017 and 2016.

**B. Excess Expenditures Over Appropriations**

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

	Modified <u>Budget</u>	<u>Actual</u>	Unfavorable <u>Variance</u>
<b><u>2017</u></b>			
Current Fund - 2017 Appropriations			
Fire - Other Expenses	\$ 185,000	\$ 185,432	\$ 432
Streets and Roads Maintenance - Salaries and Wages	150,000	193,158	43,158
Construction Code Official - Salaries and Wages	64,781	75,266	10,485
Current Fund - Grant Reserves			
Safe and Secure Communities	-	84,824	84,824
FEMA Grant	-	8,000	8,000
General Capital Fund			
Overexpenditure of Ordinance Appropriation - Ord. 13-7	2,567	2,667	100
Overexpenditure of Ordinance Appropriation - Ord. 16-17	16,582	19,118	2,536
Water Utility Capital Fund			
Overexpenditure of Ordinance Appropriation - Ord. 15-5	-	523	523

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**B. Excess Expenditures Over Appropriations (Continued)**

	Modified <u>Budget</u>	<u>Actual</u>	Unfavorable <u>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

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 \$95 in the Memorial Day Parade Reserve reported within the Other Trust Fund at December 31, 2017. The Borough had an accumulated deficit of \$682 in the Police Vests Reserve reported within the Other Trust Fund at December 31, 2016. The Borough funded this deficit at December 31, 2016 through a budget contribution in the 2017 budget.

**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 or NCUSIF.



**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**A. Cash Deposits (Continued)**

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, 2017 and 2016, the book value of the Borough's deposits were \$6,190,034 and \$6,432,848 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,894,250 and \$6,886,437, 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>2017</u>	<u>2016</u>
Insured	\$ 6,894,250	\$ 6,886,437

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, 2017 and 2016 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.

As of December 31, 2017 and 2016, the Borough had the following investments:

	<u>Fair Value</u> <u>(LOSAP-Unaudited)</u>	
	<u>2017</u>	<u>2016</u>
Investment:		
Lincoln Financial-Length of Service Awards Program Investment Fund	\$ 1,163,967	\$ 969,509

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**B. Investments (Continued)**

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, 2017 and 2016, \$1,163,967 and \$969,509 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value LOSAP Unaudited	
	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>1,163,967</u>	\$ <u>969,509</u>

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, 2017 and 2016, the Borough’s investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baa1 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 were 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 are assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE**

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<b><u>2017</u></b>			
Property Taxes	\$ 923,543		\$ 923,543
Tax Title Liens	752,650		752,650
Utility Charges and Fees		\$ 267,075	267,075
Utility Liens	<u>-</u>	<u>10,670</u>	<u>10,670</u>
	<u>\$ 1,676,193</u>	<u>\$ 277,745</u>	<u>\$ 1,953,938</u>

In 2017, the Borough collected \$836,242 and \$285,189 from delinquent taxes and utility charges and fees, which represented 60% and 96% of the delinquent tax and water charges receivable at December 31, 2016.

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.

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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>2017</u>		<u>2016</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 201,968	\$ 1,538,199	\$ 182,100	\$ 1,331,222
Trust Fund:				
Other Trust		193,947		176,705
Animal Control		22,826		20,200
General Capital Fund	2,593,170	1,250,802	2,408,579	1,250,802
Water Utility Fund:				
Operating	2,175,870	2,483,012	2,018,260	2,397,916
Capital	<u>2,483,012</u>	<u>1,965,234</u>	<u>2,397,916</u>	<u>1,830,010</u>
Total	<u>\$ 7,454,020</u>	<u>\$ 7,454,020</u>	<u>\$ 7,006,855</u>	<u>\$ 7,006,855</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

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

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**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:

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<b><u>2017</u></b>			
Current Fund			
Emergency Authorization	\$ 50,000	\$ 50,000	
Overexpenditure of Appropriations	146,899	146,899	
General Capital Fund			
Overexpenditure of Ordinance Appropriations	2,636	2,636	
Water Utility Capital Fund			
Overexpenditure of Ordinance Appropriations	523	523	
<b><u>2016</u></b>			
Current Fund			
Overexpenditure of Appropriations	\$ 33,910	\$ 33,910	
Water Utility Capital Fund			
Overexpenditure of Ordinance Appropriations	85,108	85,108	

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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>2017</b>		<b>2016</b>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget (A)</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
<b>Current Fund</b>				
Cash Surplus	\$ 712,328	\$ 522,400	\$ 1,140,730	\$ 715,000
Non-Cash Surplus	<u>198,927</u>	<u>-</u>	<u>68,275</u>	<u>-</u>
	<u>\$ 911,255</u>	<u>\$ 522,400</u>	<u>\$ 1,209,005</u>	<u>\$ 715,000</u>
<b>Water Utility Operating Fund</b>				
Cash Surplus	\$ 358,431	\$ 280,711	\$ 285,240	\$ 203,429
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 358,431</u>	<u>\$ 280,711</u>	<u>\$ 285,240</u>	<u>\$ 203,429</u>

(A) The above fund balance amounts appropriated represents the surplus anticipated in the 2018 introduced municipal budget, as amended.

**BOROUGH OF WALLINGTON**  
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**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, 2017 and 2016.

	Balance January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>				
Land	\$ 6,838,518			\$ 6,838,518
Buildings and Building Improvements	1,677,892			1,677,892
Machinery and Equipment	<u>5,947,482</u>	<u>\$ 1,017,912</u>	<u>\$ -</u>	<u>6,965,394</u>
	<u>\$ 14,463,892</u>	<u>\$ 1,017,912</u>	<u>\$ -</u>	<u>\$ 15,481,804</u>
	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>

**BOROUGH OF WALLINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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, 2017 and 2016.

<b>Water Utility Fund</b>	Balance January 1, <u>2017</u>	<u>Increases</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>			
Fixed Capital			
System and System Improvements/ Buildings/Equipment	<u>\$ 6,388,071</u>	<u>\$ 523</u>	<u>\$ 6,388,594</u>
	Balance January 1, <u>2016</u>	<u>Increases</u>	Balance, December 31, <u>2016</u>
<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>



**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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 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><b>2017</b></u>	<u><b>2016</b></u>
Issued		
General		
Bonds, Notes and Loans	\$ 10,843,634	\$ 10,262,936
Water Utility		
Bonds and Notes	<u>4,986,672</u>	<u>5,104,901</u>
Less Funds Temporarily Held to Pay Bonds and Notes	<u>250,000</u>	<u>69,506</u>
Net Debt Issued	15,580,306	15,298,331
Authorized But Not Issued		
General		
Bonds and Notes	1,047,618	1,362,354
Water Utility		
Bonds and Notes	<u>80,458</u>	<u>80,458</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 16,708,382</u>	<u>\$ 16,741,143</u>

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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 1.16% and 1.13% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2017</u></b>			
General Debt	\$ 11,891,252	\$ 250,000	\$ 11,641,252
School Debt	4,052,000	4,052,000	
Utility Debt	<u>5,067,130</u>	<u>5,067,130</u>	<u>-</u>
Total	<u>\$ 21,010,382</u>	<u>\$ 9,369,130</u>	<u>\$ 11,641,252</u>

	<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>

**Statutory Borrowing Power**

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

	<b><u>2017</u></b>	<b><u>2016</u></b>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 34,920,132	\$ 33,900,582
Less: Net Debt	<u>11,641,252</u>	<u>11,555,784</u>
Remaining Borrowing Power	<u>\$ 23,278,880</u>	<u>\$ 22,344,798</u>

**BOROUGH OF WALLINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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>2017</u>	<u>2016</u>
\$1,227,000, 2003 Bonds, due in annual installments of \$97,000 through October 15, 2018, interest at 4.00%	\$ 97,000	\$ 197,000
\$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%	6,135,000	6,460,000
\$4,087,000, 2017 Bonds, due in annual installments of \$225,000 to \$450,000 through September 15, 2028, interest at 2.00% to 2.50%	<u>4,087,000</u>	<u>-</u>
	<u>\$ 10,319,000</u>	<u>\$ 6,657,000</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>2017</u>	<u>2016</u>
\$211,000, 2002 Loans, due in annual installments of \$11,937 to \$12,926 through August 14, 2022, interest at 2.00%	<u>\$ 62,134</u>	<u>\$ 73,837</u>

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

**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>2017</u>	<u>2016</u>
\$753,000, 2003 Bonds, due in annual installments of \$68,000 through October 15, 2018, interest at 4.00%	\$ 68,000	\$ 133,000

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

Calendar Year	<u>General</u>		<u>Loan</u>		<u>Water Utility Fund</u>		<u>Total</u>
	<u>Bonds</u> Principal	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Bonds</u> Principal	<u>Interest</u>	
2018	\$ 647,000	\$ 319,855	\$ 11,937	\$ 1,183	\$ 68,000	\$ 2,720	\$ 1,050,695
2019	750,000	301,725	12,177	943			1,064,845
2020	775,000	282,225	12,422	699			1,070,346
2021	800,000	262,225	12,672	449			1,075,346
2022	825,000	241,725	12,926	194			1,079,845
2023-2027	4,590,000	797,725					5,387,725
2028-2030	1,932,000	129,375	-	-	-	-	2,061,375
	<u>\$ 10,319,000</u>	<u>\$ 2,334,855</u>	<u>\$ 62,134</u>	<u>\$ 3,468</u>	<u>\$ 68,000</u>	<u>\$ 2,720</u>	<u>\$ 12,790,177</u>

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
General Capital Fund					
Bonds Payable	\$ 6,657,000	\$ 4,087,000	\$ 425,000	\$ 10,319,000	\$ 647,000
Intergovernmental Loans Payable	<u>73,837</u>	<u>-</u>	<u>11,703</u>	<u>62,134</u>	<u>11,937</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,730,837</u>	<u>\$ 4,087,000</u>	<u>\$ 436,703</u>	<u>\$ 10,381,134</u>	<u>\$ 658,937</u>
Water Utility Capital Fund					
Bonds Payable	<u>\$ 133,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 68,000</u>	<u>\$ 68,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 133,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 68,000</u>	<u>\$ 68,000</u>
	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>					
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>11,703</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,167,308</u>	<u>\$ -</u>	<u>\$ 436,471</u>	<u>\$ 6,730,837</u>	<u>\$ 436,703</u>
Water Utility Capital Fund					
Bonds Payable	<u>\$ 193,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 133,000</u>	<u>\$ 65,000</u>
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, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

**Bond Anticipation Notes**

	Rate (%)	Maturity Date	Balance, January 1, 2017	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2017
<b><u>2017</u></b>						
<b><u>General Capital Fund</u></b>						
<b><u>Purpose</u></b>						
Acquisition of Ambulance Chasis	1.01	9/22/2017	\$ 1,628		\$ 1,628	-
Construction of Turf Field	1.01	9/22/2017	637,136		637,136	-
Acquisition of Firefighting Equipment	1.01	9/22/2017	259,232		259,232	-
Streetscape Improvements to Paterson Avenue and Union Boulevard	1.01	9/22/2017	212,946		212,946	-
Acquisition of New Communication and Signal Systems Equipment for Use of Police and Fire Dept.	1.01	9/22/2017	630,462		630,462	-
Acquisition of Self Contained Breathing Apparatus Equipment for the Fire Department	1.01	9/22/2017	199,199		199,199	-
Reconstruction of Basketball Courts at Hathaway Street Park	1.01	9/22/2017	50,496		50,496	-
Various Public Improvements	2.25	8/23/2018	419,000	\$ 150,000	419,000	\$ 150,000
Resurface of Various Streets			238,000		238,000	-
Replacement of the Library Roof			79,000		79,000	-
Improvements to Main Street	2.25	8/23/2018	410,000	149,000	410,000	149,000
Various Park Improvements	2.25	8/23/2018	395,000	98,500	395,000	98,500
Replacement of Curbs and Sidewalks on Anderson Avenue	2.25	8/23/2018	-	65,000	-	65,000
Total General Capital Fund			<u>\$ 3,532,099</u>	<u>\$ 462,500</u>	<u>\$ 3,532,099</u>	<u>\$ 462,500</u>
<b><u>Water Utility Capital Fund</u></b>						
<b><u>Purpose</u></b>						
Hathaway Street Water Main	2.25	8/23/2018	\$ 204,700	\$ 204,700	\$ 204,700	\$ 204,700
Acquisition of Vehicles & Equipment	2.25	8/23/2018	661,000	661,000	661,000	661,000
Replacement of Various Water Mains	2.25	8/23/2018	4,106,201	4,052,972	4,106,201	4,052,972
Total Water Utility Capital Fund			<u>\$ 4,971,901</u>	<u>\$ 4,918,672</u>	<u>\$ 4,971,901</u>	<u>\$ 4,918,672</u>

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 MUNICIPAL DEBT (Continued)**

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

**Bond Anticipation Notes (Continued)**

	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	<u>4,159,430</u>	<u>4,106,201</u>	<u>\$ 4,159,430</u>	<u>4,106,201</u>
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>

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.

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

**Bond Anticipation Notes (Continued)**

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>2017</u></b>		
Water Main Replacements	\$ 94,531	2018
Improvements to Main Street	4,192	2018
Municipal Road Program	14,704	2018
Improvements to Park Row and Alden Street	8,212	2018
Improvements to Hathaway Street	11,495	2018
Acquisition of Police Interceptor SUV	24,613	2018
Anderson Avenue Improvement Project	93,579	2018
<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

**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 \$1,778,808 and \$1,729,258 at December 31, 2017 and 2016, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.



**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**B. Capital Lease Agreement**

The Borough entered into agreements for the leasing of vehicles totaling \$117,886 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, 2017.

<u>Years Ended</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 11,004
2019	11,004
2020	11,004
2021	<u>11,004</u>
Total	44,016
Less: Amounts Representing Interest	<u>4,108</u>
Present Value of Net Minimum Lease Payments	<u>\$ 39,908</u>

The Borough's capital lease activity for the years 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 25,963	\$ 15,678
Additions	39,908	77,978
Reductions	<u>(25,963)</u>	<u>(67,693)</u>
Balance, December 31	<u>\$ 39,908</u>	<u>\$ 25,963</u>
Due Within One Year	<u>\$ 11,004</u>	<u>\$ 25,963</u>

**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 7.65% effective July 1, 2016 and 7.90% effective July 1, 2012) at December 31, 2017 and 2016 is \$215,744 and \$238,378, respectively.

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**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, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
Compensated Absences	\$ 1,729,258	\$ 49,550		\$ 1,778,808	
Deferred Pension Obligation	238,378	16,265	\$ 38,899	215,744	\$ 39,293
Net Pension Liability - PERS	4,810,361		888,459	3,921,902	
Net Pension Liability - PFRS	14,445,974		2,518,546	11,927,428	
Net OPEB Obligation	<u>11,968,909</u>	<u>-</u>	<u>-</u>	<u>11,968,909</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 33,192,880</u>	<u>\$ 65,815</u>	<u>\$3,445,904</u>	<u>\$ 29,812,791</u>	<u>\$ 39,293</u>

	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	12,339,578	2,722,983	616,587	14,445,974	
Net OPEB Obligation	<u>9,889,921</u>	<u>2,843,550</u>	<u>764,562</u>	<u>11,968,909</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 27,566,280</u>	<u>\$7,190,563</u>	<u>\$1,563,963</u>	<u>\$ 33,192,880</u>	<u>\$ 38,899</u>

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

**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. 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.

**BOROUGH OF WALLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Other Pension Funds (Continued)**

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).

**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.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 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.

**BOROUGH OF WALLINGTON  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2016 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) 7.00% for investment rate of return for all the retirement systems except CPFPP (1.00%) 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.

**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, 7.20% for PERS and 5.50% for DCRP of employee's annual compensation for 2017.

**Annual Pension Cost (APC)**

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, 2017, 2016 and 2015, 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</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>
2017	\$ 692,135	\$ 160,269
2016	676,287	152,138
2015	656,514	148,084

**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, 2017 and 2016, the Borough reported a liability of \$3,921,902 and \$4,810,361, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the Borough's proportionate share was .01684 percent, which was an increase of .00060 percent from its proportionate share measured as of June 30, 2016 of .01624 percent.

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$313,128 and \$465,394, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$144,290 and \$136,928, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 92,347		\$ 89,458	
Changes of Assumptions	790,128	\$ 787,231	996,450	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	26,706		183,423	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>282,634</u>	<u>163,820</u>	<u>240,991</u>	<u>\$ 224,047</u>
Total	<u>\$ 1,191,815</u>	<u>\$ 951,051</u>	<u>\$ 1,510,322</u>	<u>\$ 224,047</u>

At December 31, 2017 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>
2018	\$ 118,431
2019	167,852
2020	97,626
2021	(76,158)
2022	(66,987)
Thereafter	<u>-</u>
	<u>\$ 240,764</u>

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

*Actuarial Assumptions*

The Borough's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
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, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

***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>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%



**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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)**

***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, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, 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 (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 4,865,386</u>	<u>\$ 3,921,902</u>	<u>\$ 3,135,863</u>
	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 5,894,536</u>	<u>\$ 4,810,361</u>	<u>\$ 3,915,281</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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**  
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**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, 2017 and 2016, the Borough reported a liability of \$11,927,428 and \$14,445,974, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the Borough's proportionate share was .07725 percent, which was an increase of .00163 percent from its proportionate share measured as of June 30, 2016 of .07562 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$1,116,072 and \$1,535,381, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$616,587 and \$602,181, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 77,378	\$ 70,004		\$ 94,695
Changes of Assumptions	1,470,785	1,953,364	\$ 2,000,886	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	227,603		1,012,200	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	343,376	122,820	177,224	171,807
Total	\$ 2,119,142	\$ 2,146,188	\$ 3,190,310	\$ 266,502

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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, 2017 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:

<u>Year</u> <u>Ending</u> <u>December 31,</u>	<u>Total</u>
2018	\$ 172,336
2019	416,160
2020	58,968
2021	(463,222)
2022	(211,288)
Thereafter	-
	<u>\$ (27,046)</u>

***Actuarial Assumptions***

The Borough's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

**PFRS**

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
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, 2016 and July 1, 2015 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**  
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**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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

***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>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**BOROUGH OF WALLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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, 2057
Municipal Bond Rate *	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, 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 (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	<b>1% Decrease (5.14%)</b>	<b>Current Discount Rate (6.14%)</b>	<b>1% Increase (7.14%)</b>
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 15,715,369</u>	<u>\$ 11,927,428</u>	<u>\$ 8,815,204</u>
	<b>1% Decrease (4.55%)</b>	<b>Current Discount Rate (5.55%)</b>	<b>1% Increase (6.55%)</b>
<u>2016</u>			
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>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016**

**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 of the net pension liability, deferred outflows and inflows 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, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,335,972 and \$1,213,104, respectively. For the years ended December 31, 2017 and 2016, 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 \$163,420 and \$154,942, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$66,804 and \$46,483, 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**

**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 2017, 2016 and 2015 the Borough paid \$770,941, \$764,562 and \$609,252, respectively for post-retirement health coverage premiums for eligible retirees and their dependents.

**BOROUGH OF WALLINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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 2017 and 2016, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

	<u>2017</u>	<u>2016</u>
Annual Required Contribution	\$ 2,398,504	\$ 2,398,504
Interest on Net OPEB Obligation	538,601	445,046
Annual OPEB Cost (Expense)	2,937,105	2,843,550
Contributions Made	(770,941)	(764,562)
Increase in Net OPEB Obligation	2,166,164	2,078,988
Net OPEB Obligation - Beginning of Year	11,968,909	9,889,921
Net OPEB Obligation - End of Year	<u>\$14,135,073</u>	<u>\$ 11,968,909</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 2017, 2016 and 2015 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>
2017	\$ 2,937,105	26%	\$ 14,135,073
2016	2,843,550	27%	11,968,909
2015	2,747,337	22%	9,889,921

**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, 2017 AND 2016**

**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, 2017 was 24 years.

The Borough did not obtain an updated report as of December 31, 2017, as required.

**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, 2017 AND 2016**

**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>
2017	\$ 5,093	\$ 38,362
2016	5,558	33,269
2015	5,439	27,711

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

**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, 2017 and 2016, 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.

**Other** - The Borough consistently makes four quarterly payments each year to the South Bergen Municipal Joint Insurance Fund based upon the due date of the assessments. As of December 31, 2017 and 2016 the fourth quarter assessments in the amounts of \$106,319 and \$104,960, respectively due in January of the subsequent year are not recorded as an expenditure or liability on the Borough's financial statements. These assessments are funded from the respective years' appropriation reserves.

**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, 2017 and 2016, 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 Award 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 Volunteer Fire Department and the First Aid Organization, 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 \$1,436 and \$1,424 for 2017 and 2016, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$96,908 and \$92,221 for 2017 and 2016, 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.

Lincoln Financial Corp. 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.

**BOROUGH OF WALLINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**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, 2017		\$ 3,738,412
Increased by:		
Taxes Receivable	\$ 27,280,521	
State of NJ Senior Citizens' and Veterans' Deductions	66,250	
Miscellaneous Revenues Not Anticipated	285,370	
Revenue Accounts Receivable	1,605,033	
Tax Overpayments	26,508	
Prepaid Taxes	493,766	
Receipts from Animal Control Fund	219	
Receipts from Other Trust Fund	2,759	
Receipts for Other Trust Fund	3,833	
Receipts from General Capital Fund	9,493	
Receipts from Water Operating Utility Fund	500,000	
Reserve for Insurance Proceeds	50,000	
Federal and State Grants - Unappropriated	257,211	
Amount Due to Library - State Aid	4,920	
Miscellaneous Fees Payable	9,456	
		<u>30,595,339</u>
		34,333,751
Decreased by Disbursements:		
2017 Budget Appropriations	10,513,078	
2016 Appropriation Reserves	490,578	
Tax Overpayments	36,565	
County Taxes	2,498,354	
Local District School Taxes	16,309,286	
Appropriated Grant Reserves	3,631	
Expenditures Without Appropriation - Grants	92,824	
Disbursements for Other Trust Reserves	23,224	
Water Operating Utility Fund Expenditures Paid by Current Fund	342,390	
Miscellaneous Fees Payable	8,718	
Prior Year Tax Appeals Granted	54,099	
		<u>30,372,747</u>
Balance, December 31, 2017		<u>\$ 3,961,004</u>

## EXHIBIT A-5

**BOROUGH OF WALLINGTON  
STATEMENT OF CHANGE FUND**

	Balance, January 1, <u>2017</u>	Balance, December 31, <u>2017</u>
<u>Office</u>		
Collector - Treasurer	\$ <u>100</u>	\$ <u>100</u>

## EXHIBIT A-6

**STATEMENT OF PETTY CASH**

	Balance, January 1, <u>2017</u>	Balance, December 31, <u>2017</u>
<u>Office</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, 2017		\$	688
Increased by:			
Received in Cash from State			<u>66,250</u>
			66,938
Decreased by:			
Senior Citizens' and Veterans' Deductions Per Tax Billings- 2017	\$	65,250	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - 2017		<u>750</u>	
			<u>66,000</u>
Balance, December 31, 2017		\$	<u>938</u>

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

<u>Year</u>	<u>Balance,</u> <u>January 1,</u> <u>2017</u>	<u>2017 Levy</u>	<u>Collected in Cash</u>		<u>Senior</u> <u>Citizens and</u> <u>Veterans'</u> <u>Deductions</u> <u>Allowed</u>	<u>Transferred</u> <u>to</u> <u>Tax Title</u> <u>Liens</u>	<u>Cancelled</u>	<u>Balance,</u> <u>December 31,</u> <u>2017</u>
2016	\$ 1,022,776	-	-	\$ 836,242	\$ -	\$ 159,834	\$ 18	26,682
	1,022,776	-	-	836,242	-	159,834	18	26,682
2017	-	\$27,739,043	\$ 167,033	26,444,279	\$ 66,000	\$ 163,021	1,849	\$ 896,861
	<u>\$ 1,022,776</u>	<u>\$27,739,043</u>	<u>\$ 167,033</u>	<u>\$ 27,280,521</u>	<u>\$ 66,000</u>	<u>\$ 322,855</u>	<u>\$ 1,867</u>	<u>\$ 923,543</u>

**Analysis of 2017 Property Tax Levy**

Tax Yield		
General Purpose Tax	\$ 27,677,396	
Added Taxes (54:4-63.1 et seq.)	61,647	
		<u>\$ 27,739,043</u>
Tax Levy		
Local District School Tax (Abstract)		\$ 16,309,286
County Taxes	\$ 2,382,750	
County Open Space Taxes	99,317	
Due County for Added Taxes (54:4-63.1 et seq)	5,536	
		2,487,603
Local Tax for Municipal Purposes	8,548,184	
Minimum Library Tax	328,625	
Add Additional Tax Levied	65,345	
		<u>8,942,154</u>
		<u>\$ 27,739,043</u>



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

Balance, January 1, 2017	\$ 372,091
Increased by:	
Transferred from Current Year Taxes	\$ 163,021
Transferred from Prior Year Taxes Receivable	159,834
Interest and Costs at Tax Sale	<u>57,704</u>
	<u>380,559</u>
Balance, December 31, 2017	<u>\$ 752,650</u>

**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2017</u>	Accrued in <u>2017</u>	Collected in <u>2017</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 16,724	\$ 16,724	
Other		3,845	3,845	
Fees and Permits		10,215	10,215	
Board of Health				
Licenses		7,160	7,160	
Fees and Permits		4	4	
Registrar of Vital Statistics				
Licenses		299	299	
Fees and Permits		30	30	
Fire Prevention				
Fees and Permits		1,296	1,296	
Police				
Fees and Permits		393	393	
Planning & Zoning Boards				
Fees and Permits		315	315	
Municipal Court				
Fines and Costs	\$ 10,313	185,219	183,950	\$ 11,582
Interest and Costs on Taxes		203,202	203,202	
Interest on Investments and Deposits		37,290	37,290	
Energy Receipts Taxes		606,001	606,001	
Consolidated Municipal Property Tax Relief Aid		67,453	67,453	
Uniform Construction Code Fees		101,698	101,698	
Uniform Safety Act		15,683	15,683	
Contribution from Board of Education		125,000	125,000	
Cell Tower Rental Fee		54,246	54,246	
Other Rental Income		37,500	37,500	
CATV Franchise Fee	-	132,729	132,729	-
	<u>\$ 10,313</u>	<u>\$ 1,606,302</u>	<u>\$ 1,605,033</u>	<u>\$ 11,582</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, January 1, 2017	Encumbrances Restored	Transfers	Modified Balance	Paid or Charged	Balance Lapsed
Mayor and Council						
Salaries & Wages	\$ 186			\$ 186		\$ 186
Municipal Clerk Elections						
Salaries & Wages	20			20		20
Other Expenses	2,242	\$ 1,914		4,156	\$ 4,114	42
Financial Administration						
Salaries & Wages	15			15		15
Other Expenses	2,245			2,245	500	1,745
Audit Services				-		-
Revenue Administration						
Salaries & Wages	9,653		\$ (5,000)	4,653		4,653
Other Expenses	346			346	325	21
Assessment of Taxes						
Salaries & Wages	148			148		148
Other Expenses	18,950		(15,000)	3,950	244	3,706
Legal Services and Costs						
Other Expenses	17,993	100	(10,000)	8,093	6,982	1,111
Engineering Services and Costs -						
Salaries & Wages	450			450		450
Other Expenses	2,539	16,600	3,000	22,139	21,749	390
Planning Board						
Salaries & Wages	62			62		62
Other Expenses	2,630			2,630	1,430	1,200
Zoning Bd of Adjustment						
Salaries & Wages	40			40		40
Other Expenses	70		2,000	2,070	1,380	690
Construction Code Official						
Salaries & Wages	1,891			1,891		1,891
Other Expenses	1,175			1,175		1,175
Rent Leveling Board						
Salaries & Wages	100			100		100
Police						
Salaries & Wages	146,054		(120,000)	26,054		26,054
Other Expenses	911	45,999		46,910	46,910	-
Fire						
Other Expenses	1,636	12,764		14,400	12,276	2,124
LOSAP	17,779	92,221	2,000	112,000	92,721	19,279
EMS						
Other Expenses	-	18,137		18,137	18,137	-
Fire Prevention Bureau						
Other Expenses	662			662		662
Emergency Management						
Other Expenses	1,000			1,000		1,000
Uniform Fire Safety						
Other Expenses	69			69		69
Municipal Prosecutor						
Salaries & Wages	34			34		34
Streets and Roads Maintenance						
Salaries & Wages	41,838		(40,000)	1,838		1,838
Other Expenses	5,731	26,925		32,656	30,862	1,794
Shade Tree						
Other Expenses	193			193		193
Buildings and Grounds						
Other Expenses	5,286	23,540		28,826	27,526	1,300
Solid Waste Collection (Garbage and Trash, Recycling)						
Salaries & Wages	8			8		8
Other Expenses	4,420		30,000	34,420	31,677	2,743
Board of Health						
Salaries & Wages	198			198		198
Other Expenses	182	481		663	529	134
Animal Control Services						
Other Expenses	76			76		76
Senior Citizens						
Other Expenses	3,714		(3,000)	714		714
Board of Recreation Commissioners						
Salaries & Wages	9,793			9,793		9,793
Other Expenses	16	1,170		1,186	1,060	126

**BOROUGH OF WALLINGTON  
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, January 1, 2017	Encumbrances Restored	Transfers	Modified Balance	Paid or Charged	Balance Lapsed
Maintenance of Parks						
Other Expenses	\$ 3,889		\$ (3,000)	\$ 889		\$ 889
Celebration of Public Events						
Other Expenses	2,159		(2,000)	159		159
Utilities						
Electricity	139			139		139
Street Lighting	838			838		838
Gasoline	353			353		353
Communications	5,888	\$ 99	(5,000)	987	\$ 34	953
Public Defender						
Other Expenses	5,000			5,000	4,950	50
Sewerage Processing and Disposal						
Other Expenses	2,310	20,060		22,370	19,206	3,164
Passaic Valley Sewerage Commission				-		-
East Rutherford Sewer Fees	6,500			6,500		6,500
Recycling Tax Appropriation	11,800			11,800		11,800
911 Interlocal Services Agreement	199			199		199
Maintenance of Free Public Library	1,760			1,760		1,760
Municipal Court						
Salaries & Wages	2,351			2,351		2,351
Other Expenses	5,277			5,277	300	4,977
Social Security System	13,276			13,276		13,276
Public Employees Retirement System - ERIP	700			700		700
Insurance						
Unemployment	1,000			1,000		1,000
Employee Group	3,789		184,000	187,789	179,534	8,255
Health Benefit Waiver	10,000		(10,000)	-		-
Liability	8,525		(8,000)	525		525
Liability ( South Bergen JIF)	9,308			9,308	9,308	-
Worker's Compensation (South Bergen JIF)	6,526	-	-	6,526	6,526	-
	<u>\$ 401,942</u>	<u>\$ 260,010</u>	<u>\$ -</u>	<u>\$ 661,952</u>	<u>\$ 518,280</u>	<u>\$ 143,672</u>
			Cash Disbursements		\$ 490,578	
			Reserve for Encumbrances		<u>27,702</u>	
					<u>\$ 518,280</u>	

**BOROUGH OF WALLINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2017		\$ 260,010
Increased by:		
Charges to 2016 Appropriation Reserves	\$ 27,702	
Charges to 2017 Budget Appropriations	<u>197,573</u>	
		<u>225,275</u>
		485,285
Decreased by:		
Restored to Appropriation Reserves		<u>260,010</u>
Balance, December 31, 2017		<u><u>\$ 225,275</u></u>

**STATEMENT OF PREPAID TAXES**

Balance, January 1, 2017		\$ 167,033
Increased by:		
Collection - 2018 Taxes		<u>493,766</u>
		660,799
Decreased by:		
Application to 2017 Taxes Receivable		<u>167,033</u>
Balance, December 31, 2017		<u><u>\$ 493,766</u></u>

**BOROUGH OF WALLINGTON  
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2017	\$ 36,565
Increased by:	
Cash Receipts	<u>26,508</u>
	63,073
Decreased by:	
Cash Disbursements	<u>36,565</u>
Balance, December 31, 2017	<u><u>\$ 26,508</u></u>

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2017	\$ 15,611
Increased by:	
2017 Tax Levy	\$ 2,382,750
Open Space Taxes	99,317
2017 Added Taxes (54:4-63.1 et seq.)	<u>5,536</u>
	<u>2,487,603</u>
	2,503,214
Decreased by:	
Payments	<u>2,498,354</u>
Balance, December 31, 2017	<u><u>\$ 4,860</u></u>

**STATEMENT OF SCHOOL TAXES PAYABLE**

Increased by:	
Levy - Calendar Year	<u>\$ 16,309,286</u>
Decreased by:	
Payments	<u><u>\$ 16,309,286</u></u>

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

	Balance, January 1, <u>2017</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2017</u>
Marriage License Fees	\$ 475	\$ 2,081	\$ 2,125	\$ 431
Blood Screening Fees		2,698	2,698	
DCA Training Fees	-	4,677	3,895	782
	<u>\$ 475</u>	<u>\$ 9,456</u>	<u>\$ 8,718</u>	<u>\$ 1,213</u>

**STATEMENT OF RESERVE FOR REVALUATION**

Balance, January 1, 2017	\$ <u>2,770</u>
Balance, December 31, 2017	\$ <u>2,770</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF DEFERRED CHARGES  
EMERGENCY AUTHORIZATIONS**

Increased by:	
Amount Authorized in 2017	<u>\$          50,000</u>
Balance December, 31, 2017	<u>\$          50,000</u>

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

	Balance, January 1, <u>2017</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Non-Public Nursing	\$ 2,028		\$ 2,028
Safe and Secure Communities Program	<u>32,337</u>	<u>\$ 32,337</u>	<u>-</u>
	<u>\$ 34,365</u>	<u>\$ 32,337</u>	<u>\$ 2,028</u>
Fund Balance		<u>\$ 32,337</u>	



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

	Balance, January 1, 2017	Transferred from 2017 <u>Appropriations</u>	<u>Expended</u>	Balance, December 31, 2017
Supplemental Fire Services Program State Entitlement:				
Fire - Other Expenses	\$ 1,573			\$ 1,573
Alcohol Education and Rehabilitation Fund				
Municipal Court				
Salaries & Wages	10,989	\$ 967		11,956
Drunk Driving Enforcement Fund				
Police				
Salaries & Wages	14,454		\$ 601	13,853
Clean Communities	73,010			73,010
COPS Fast Programs	73			73
Municipal Alliance- State	30,410	8,977	3,030	36,357
Municipal Alliance- Local	5,476	2,244		7,720
Legislative Grant- Emergency Services	9,530			9,530
Non Public Nursing	14,276			14,276
Body Armor Replacement	5,667		4,800	867
Municipal Recycling Assistance Program	17,575	116		17,691
Recycling Tonnage Grant	49,886	4,710		54,596
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>\$ 311,021</u>	<u>\$ 17,014</u>	<u>\$ 8,431</u>	<u>\$ 319,604</u>
		Cash Disbursements	\$ 3,631	
		Due to Other Trust Fund	<u>4,800</u>	
			<u>\$ 8,431</u>	

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

	Balance, January 1, <u>2017</u>	<u>Increases</u>	Utilized as <u>2017 Revenue</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Alcohol Education and Rehabilitation Fund	\$ 967	\$ 901	\$ 967		\$ 901
Municipal Alliance	8,977	7,964	8,977		7,964
FEMA - Firefighters Scuba Grant		7,950			7,950
Clean Communities	-	19,346	-		19,346
Body Armor Replacement	-	2,428	-		2,428
Municipal Recycling Assistance	116	58	116		58
Safe and Secure Communities	30,000	193,069	-	\$ 138,245	84,824
Recycling Tonnage Grant	<u>4,710</u>	<u>27,923</u>	<u>4,710</u>	<u>-</u>	<u>27,923</u>
	<u>\$ 44,770</u>	<u>\$ 259,639</u>	<u>\$ 14,770</u>	<u>\$ 138,245</u>	<u>\$ 151,394</u>

Due from Other Trust Fund	\$ 2,428
Cash Receipts	<u>257,211</u>
	<u>\$ 259,639</u>

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

Balance, January 1, 2017	\$ 14,850
Increased by:	
Cash Receipts	<u>4,920</u>
Balance, December 31, 2017	<u>\$ 19,770</u>

## EXHIBIT A-24

**STATEMENT OF RESERVE FOR CODIFICATION OF ORDINANCES**

Balance, January 1, 2017	<u>\$ 10,925</u>
Balance, December 31, 2017	<u>\$ 10,925</u>

## EXHIBIT A-25

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

Balance, January 1, 2017	\$ 33,910
Increased by:	
Overexpended in 2017	
Expenditure without an Appropriation - Grants	\$ 92,824
2017 Budget Appropriations	<u>54,075</u>
	<u>146,899</u>
	180,809
Decreased by:	
Raised in 2017 Budget	<u>33,910</u>
Balance, December 31, 2017	<u>\$ 146,899</u>

## EXHIBIT A-26

**STATEMENT OF RESERVE FOR INSURANCE PROCEEDS**

Increased by:	
Cash Receipts	<u>\$ 50,000</u>
Balance, December 31, 2017	<u>\$ 50,000</u>

**TRUST FUND**

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

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2017	\$ 25,740	\$ 1,303,239
Increased by Receipts:		
Other Reserves		\$ 734,011
Payroll Salaries and Deductions		7,891,545
Payroll Deductions - Unemployment		5,093
Interest Earned	\$ 238	3,664
Receipts Due to Current Fund		2,428
Due to State of New Jersey	806	
Dog License Fees/Cat/Late Fees	<u>2,831</u>	<u>-</u>
	<u>3,875</u>	<u>8,636,741</u>
	29,615	9,939,980
Decreased by Disbursements:		
Payroll Salaries and Deductions		7,901,066
Due to State of New Jersey	806	
Payments for Current Fund		4,800
Payments to Current Fund	219	2,759
Other Reserves	<u>-</u>	<u>952,771</u>
	<u>1,025</u>	<u>8,861,396</u>
Balance, December 31, 2017	<u>\$ 28,590</u>	<u>\$ 1,078,584</u>

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

Balance, January 1, 2017	\$ 5,547
Increased by:	
Dog License Fees/Cat/Late Fees	<u>2,831</u>
	8,378
Decreased by:	
Statutory Excess - Due to Current Fund	<u>2,607</u>
Balance, December 31, 2017	<u>\$ 5,771</u>

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

Balance, January 1, 2017	\$ 7
Increased by:	
State Fees Collected in 2017	<u>806</u>
	813
Decreased by:	
Payments to State of New Jersey	<u>806</u>
Balance, December 31, 2017	<u>\$ 7</u>

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

Balance, January 1, 2017	\$ 20,200
Increased by:	
Interest Earned	\$ 238
Statutory Excess	<u>2,607</u>
	<u>2,845</u>
	23,045
Decreased by:	
Payments to Current Fund	<u>219</u>
Balance, December 31, 2017	<u>\$ 22,826</u>

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

	Balance, January 1, 2017	Receipts	Disbursements	Balance, (Deficit) December 31, 2017
Uniform Fire Safety Act Penalties	\$ 5,320	\$ 1,120		\$ 6,440
Planning Board-Escrow	37,465	24,102	\$ 17,908	43,659
Road Opening	38,255			38,255
Third Party Lien Redemptions/Tax Sale Premiums	718,962	455,355	754,408	419,909
Iron & Steel (Recycling)	128			128
Zoning Board-Escrow	33,432	2,500	2,091	33,841
Police Vests	(682)	682		-
Handicap Trust	37			37
Police Off Duty	949	205,181	146,358	59,772
Recreation	56,141	39,063	49,876	45,328
Parks	3,960			3,960
P.O.A.A.	42,417	1,800		44,217
Police Camp	3,360			3,360
Memorial Day Parade	2,705		2,800	(95)
Fire Department Deduction	442			442
COAH	17,554	6,388	2,554	21,388
Hurricane Irene		2,335		2,335
Developer's Agreement	60,738	-	-	60,738
Total	<u>\$ 1,021,183</u>	<u>\$ 738,526</u>	<u>\$ 975,995</u>	<u>\$ 783,714</u>
Due to/from Current Fund	\$ 4,515	\$ 23,224		
Cash Receipts/Cash Disbursements		<u>734,011</u>	<u>952,771</u>	
		<u>\$ 738,526</u>	<u>\$ 975,995</u>	

EXHIBIT B-6

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

Balance, January 1, 2017	<u>\$ 3,850</u>
Balance, December 31, 2017	<u>\$ 3,850</u>

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

Balance, January 1, 2017		\$	161,900
Increased by:			
Grant Receipts Due to Current Fund	\$	2,428	
Disbursements in Current Fund for Other Trust Reserves - Recreation		<u>23,224</u>	
	\$	25,652	
Interest Earned		<u>3,664</u>	
			<u>29,316</u>
			191,216
Decreased by:			
Payments to Current Fund		2,759	
Grant Disbursements due from Current Fund		4,800	
Budget - Deficit in Trust Reserves		682	
Receipts Deposited in Current Fund: Other Reserves- COAH		<u>3,833</u>	
			<u>12,074</u>
Balance, December 31, 2017		\$	<u>179,142</u>

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

Balance, January 1, 2017	\$	33,269
Increased by:		
Payroll Deductions		<u>5,093</u>
Balance, December 31, 2017	\$	<u>38,362</u>



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

Balance, January 1, 2017	\$ 68,232
Increased by:	
Cash Receipts	<u>\$ 7,891,545</u>
	7,959,777
Decreased by:	
Cash Disbursements	<u>7,901,066</u>
Balance, December 31, 2017	<u>\$ 58,711</u>

EXHIBIT B-10

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

Balance, January 1, 2017	<u>\$ 14,805</u>
Balance, December 31, 2017	<u>\$ 14,805</u>

**GENERAL CAPITAL FUND**

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

Balance, January 1, 2017		\$ 360,821
Increased by Receipts:		
Reserve to Pay Debt Service	250,000	
Premium on Sale of Bonds and Notes	44,152	
Receipts Due to Water Utility Capital Fund	47,319	
Serial Bonds	4,087,000	
Bond Anticipation Notes	65,000	
Interest Earned	<u>10,126</u>	
		<u>4,503,597</u>
		4,864,418
Decreased by Disbursements:		
Payments to Current Fund	9,493	
Payments for Water Utility Capital Fund	182,543	
Improvement Authorizations	1,532,776	
Bond Anticipation Notes	<u>2,949,870</u>	
		<u>4,674,682</u>
Balance, December 31, 2017		<u>\$ 189,736</u>

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

	Balance, December 31, <u>2017</u>
Capital Improvement Fund	\$ 17,602
Due from Water Utility Capital Fund	(1,965,234)
Due to Water Utility Operating Fund	1,250,802
Due from Current Fund	(627,936)
Grants Receivable	(47,394)
Encumbrances Payable	229,890
Reserve for Purchase of Fire Equipment	11,595
Reserve to Pay Debt Service	250,000
Fund Balance	95,362
Overexpenditure of Ordinance Appropriation	(2,636)
 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	3,005
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	854
12-20/13-9 Acquisition of New Communication and Signal Systems Equipment for Use of the Police and Fire Departments	755
13-10 Various Public Improvements	26,091
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	153,066
15-14 Various Park Improvements	409,356
16-13 Acquisition of a New Pumper Fire Engine	3,019
16-16 Replacement of Curbs and Sidewalks on Anderson Ave.	14,546
16-21 Replacement of Alden Street Sewer Main	20,806
17-3 Various Public Improvements	23,493
17-7 Resurface Various Streets	<u>24,000</u>
	<u>\$ 189,736</u>

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

Balance, January 1, 2017 \$ 618,606

Balance, December 31, 2017 \$ 618,606

**Analysis of Balance, December 31, 2017**

<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>\$ 618,606</u>	<u>\$ 571,212</u>	<u>\$ 47,394</u>

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

Balance, January 1, 2017 \$ 1,830,010

Increased by:

Water Utility Capital Fund Expenditures Paid by General Capital Fund 182,543

2,012,553

Decreased by:

Water Utility Capital Fund Premium on Notes Deposited in General Capital Fund 47,319

Balance, December 31, 2017 \$ 1,965,234

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

Balance, January 1, 2017		\$ 578,569
Increased by:		
Budget Appropriation:		
Capital Improvement Fund	\$ 50,000	
Payments Made to Current Fund	<u>9,493</u>	
		<u>59,493</u>
		638,062
Decreased By:		
Interest Earned		<u>10,126</u>
Balance, December 31, 2017		<u>\$ 627,936</u>

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

Balance, January 1, 2017		\$ 6,730,837
Increased by:		
Serial Bonds Issued		<u>4,087,000</u>
		\$ 10,817,837
Decreased by:		
Current Fund Budget Appropriations:		
Serial Bonds Payable	\$ 425,000	
Green Acres Loan Payable	<u>11,703</u>	
		<u>436,703</u>
Balance, December 31, 2017		<u>\$ 10,381,134</u>

**BOROUGH OF WALLINGTON**  
**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**  
**GENERAL CAPITAL FUND**

Ord. No.	General Improvements	Balance January 1, 2017	2017 Authorizations	Notes Paid By Budget Appropriation	Serial Bonds Issued	Balance, December 31, 2017	Analysis of Balance, December 31, 2017		Unexpended Improvement Authorizations
							Bond Anticipation Notes Issued	Expenditures	
01-15	Improvements to Hathaway Street	\$ 6,712				\$ 6,712		\$ 6,712	
02-3	Resurfacing of Hathaway	97				97		97	
03-9	Acq. of Senior Citizen Bus	3,895				3,895		3,895	
10-7	Refunding Tax Appeals	80,014				80,014		80,014	
10-14	Acquisition of Ambulance Chassis	1,628		\$ 1,628		-			
11-4	Construction of Turf Field	637,136		161,048	476,088	-			
11-10	Acq. Firefighting Equipment	259,232			259,232	-			
12-13	Streetscape Improvements to Paterson Avenue and Union Boulevard	212,946			212,946	-			
12-20/13-9	Acquisition of New Communication and Signal Systems Equipment for Use of the Police and Fire Departments	631,098			631,098	-			
13-7	Acquisition of Self Contained Breathing Apparatus Equipment for Fire Department	199,199			199,199	-			
13-8	Reconstruction of Basketball Courts at Hathaway Street Park	50,496			50,496	-			
13-10	Various Public Improvements	419,000		22,053	246,947	150,000	\$ 150,000		
14-8	Resurface Various Streets	238,000			238,000	-			
14-14	Replacement of the Roof on the Public Library	9,494			9,494	-			
15-4	Improvements to Main Street	410,000			261,000	149,000	149,000		
15-14	Various Park Improvements	395,000			296,500	98,500	98,500		
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			68,300	65,000	65,000		
16-17	Acquisition of a New Ambulance	280,900			280,900	-			
16-21	Replacement of Alden Street Sewer Main	133,000			133,000	-			
17-3	Various Public Improvements	-	\$ 480,900			480,900			\$ 480,900
17-7	Resurface Various Streets	-	476,000	-	-	476,000	-	-	476,000
		<u>\$ 4,824,947</u>	<u>\$ 956,900</u>	<u>\$ 184,729</u>	<u>\$ 4,087,000</u>	<u>\$ 1,510,118</u>	<u>\$ 462,500</u>	<u>\$ 90,718</u>	<u>\$ 956,900</u>
						Improvement Authorizations-Unfunded			\$ 1,245,037
						Less: Unexpended Proceeds of Bond Anticipation Notes			
						Ord. 13-10	\$ 26,091		
						Ord. 16-16	14,546		
						Ord. 15-04	149,000		
						Ord. 15-14	98,500		
									<u>288,137</u>
									<u>\$ 956,900</u>

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

Balance, January 1, 2017	\$ 15,702
Increased by:	
Budget Appropriation -Capital Improvement Fund	<u>50,000</u>
	65,702
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>48,100</u>
Balance, December 31, 2017	<u>\$ 17,602</u>



**BOROUGH OF WALLINGTON  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Balance, January 1, 2017		2017 Authorizations		Prior Year Encumbrances Restored	Cash Disbursements	Current Year Encumbrances Payable	Balance, December 31, 2017		Overexpenditure of Ordinance
		Funded	Unfunded	Capital Improvement Fund	Deferred Charges Unfunded				Funded	Unfunded	
06-11	2006 Road Improvement Program	\$ 214,325							\$ 214,325		
10-8	Resurfacing Various Streets	52,186							52,186		
11-5	Resurface Hathaway Street	3,747							3,747		
11-10	Acq. Firefighter Equipment		\$ 12,318				\$ 9,313		3,005		
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		8,145			\$ 43,843	50,357	\$ 777	854		
12-20/13-9	Acquisition of New Communication and Signal Systems Equipment for Use of the Police and Fire Departments		6,357				5,602		755		
13-7	Acquisition of Self Contained Breathing Apparatus Equipment for Fire Department		2,567				2,667				\$ 100
13-10	Various Public Improvements		91,014			205,167	212,829	57,261	\$ 26,091		-
14-8	Resurfacing of Various Roads		-			208,886	208,886		-		
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		178,203				25,137		4,066	149,000	
15-14	Various Park Improvements	14,685	395,000				329		310,856	98,500	
16-13	Acquisition of a New Pumper Fire Engine		60,056			699,559	699,559	57,037	3,019		
16-16	Replacement of Curbs and Sidewalks on Anderson Ave.	6,109	133,300				22,784	102,079		14,546	
16-17	Acquisition of a New Ambulance		16,582			277,827	284,209	12,736		-	2,536
16-21	Replacement of Alden Street Sewer Main	-	31,303				10,497		20,806		
17-3	Various Public Improvements	-	-	\$ 24,100	\$ 480,900		607		23,493	480,900	
17-7	Resurface Various Streets	-	-	24,000	476,000	-	-	-	24,000	476,000	-
		\$ 410,056	\$ 934,995	\$ 48,100	\$ 956,900	\$ 1,435,282	\$ 1,532,776	\$ 229,890	\$ 780,266	\$ 1,245,037	\$ 2,636

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

Balance, January 1, 2017	<u>\$ 571,212</u>
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Balance, December 31, 2017	<u>\$ 571,212</u>
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**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, 2017</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>				
			<u>Date</u>	<u>Amount</u>									
General Improvement Bonds	10/15/2003	\$ 1,227,000	10/15/2018	\$ 97,000	4.000%	\$ 197,000		\$ 100,000	\$ 97,000				
General Improvement Bonds	8/1/2010	7,460,000	8/1/2018	325,000	3.000%	6,460,000		325,000	6,135,000				
			8/1/19-21	450,000	3.000%								
			8/1/2022	475,000	4.000%								
			8/1/2023-2029	500,000	4.000%								
			8/1/2030	485,000	4.000%								
General Improvement Bonds	9/15/2017	4,087,000	9/15/2018	225,000	2.000%								
			9/15/2019	300,000	2.000%								
			9/15/2020	325,000	2.000%								
			9/15/2021	350,000	2.000%								
			9/15/2022	350,000	2.000%								
			9/15/2023	375,000	2.000%								
			9/15/2024	400,000	2.000%								
			9/15/2025	425,000	2.000%								
			9/15/2026	440,000	2.250%								
			9/15/2027	450,000	2.500%								
			9/15/2028	447,000	2.500%								
										-	\$ 4,087,000	-	4,087,000
										<u>\$ 6,657,000</u>	<u>\$ 4,087,000</u>	<u>\$ 425,000</u>	<u>\$ 10,319,000</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, 2017</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Centennial Field Development	11/7/2002	\$ 211,000	2/14/2018 - 2022	\$11,937-\$12,926	2.00%	<u>\$ 73,837</u>	<u>\$ 11,703</u>	<u>\$ 62,134</u>
					Budget Appropriation		<u>\$ 11,703</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, 2017	Increased	Decreased	Balance, December 31, 2017
10-14	Acquisition of Ambulance Chassis	\$ 46,824	9/29/2011	9/23/2016	9/22/2017	1.01%	\$ 1,628		\$ 1,628	
11-4	Construction of Turf Field	1,425,000	9/29/2011	9/23/2016	9/22/2017	1.01%	637,136		637,136	
11-10	Acq. Firefighting Equipment	333,300	9/28/2012	9/23/2016	9/22/2017	1.01%	259,232		259,232	
12-13	Streetscape Improvements to Paterson Avenue and Union Boulevard	238,000	9/28/2012	9/23/2016	9/22/2017	1.01%	212,946		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	9/23/2016	9/22/2017	1.01%	338,210		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	9/23/2016	9/22/2017	1.01%	291,413		291,413	-
			9/23/2016	9/23/2016	9/22/2017	1.01%	839		839	-
13-7	Acquisition of Self Contained Breathing Apparatus Equipment for Fire Department	384,750	9/27/2013	9/23/2016	9/22/2017	1.01%	199,199		199,199	-
13-8	Reconstruction of Basketball Courts at Hathaway Street Park	52,300	9/27/2013	9/23/2016	9/22/2017	1.01%	50,496		50,496	-
13-10	Various Public Improvements	419,000	9/26/2014	9/23/2016	9/22/2017	1.01%	419,000		419,000	-
				9/1/2017	8/23/2018	2.25%		\$ 150,000		\$ 150,000
14-8	Resurface Various Streets	238,000	9/26/2014	9/23/2016	9/22/2017	1.01%	238,000		238,000	-
14-14	Replacement of the Roof on the Public Library	79,000	9/25/2015	9/23/2016	9/22/2017	1.01%	79,000		79,000	-
15-04	Improvement of Main Street	409,734	9/25/2015	9/23/2016	9/22/2017	1.01%	409,734		409,734	-
			9/23/2016	9/23/2016	9/22/2017	1.01%	266		266	-
				9/1/2017	8/23/2018	2.25%		149,000		149,000
15-14	Various Park Improvements	395,000	9/23/2016	9/23/2016	9/22/2017	1.01%	395,000		395,000	-
				9/1/2017	8/23/2018	2.25%		98,500		98,500
16-16	Replacement of Curbs and Sidewalks on Anderson Ave.	65,000	9/1/2017	9/1/2017	8/23/2018	2.25%		65,000		65,000
							<u>\$ 3,532,099</u>	<u>\$ 462,500</u>	<u>\$ 3,532,099</u>	<u>\$ 462,500</u>
Note Renewals										
Issued for Cash								\$ 397,500	\$ 397,500	
Paid by Budget Appropriation								65,000		
Paid by Cash									184,729	
Paid with Serial Bonds Proceeds									69,506	
								-	2,880,364	
							<u>\$ 462,500</u>	<u>\$ 3,532,099</u>		

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

Balance, January 1, 2017	\$ 11,595
Balance, December 31, 2017	<u>\$ 11,595</u>

**STATEMENT OF ENCUMBRANCES PAYABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2017	\$ 1,435,282
Increased by:	
Charges to Improvement Authorizations	<u>229,890</u>
	1,665,172
Decreased by:	
Restored to Improvement Authorizations	<u>1,435,282</u>
Balance, December 31, 2017	<u>\$ 229,890</u>

**STATEMENT OF OVEREXPENDITURE OF ORDINANCE APPROPRIATION  
GENERAL CAPITAL FUND**

Increased by:	
Improvement Authorizations Overexpended in 2017	<u>\$ 2,636</u>
Balance, December 31, 2017	<u>\$ 2,636</u>

**STATEMENT OF RESERVE TO PAY DEBT SERVICE  
GENERAL CAPITAL FUND**

Increased by:	
Cash Receipts in 2017 - Ordinance 2012-13	<u>\$ 250,000</u>
Balance, December 31, 2017	<u>\$ 250,000</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, 2017	2017 <u>Authorizations</u>	Bonds <u>Issued</u>	Notes <u>Issued</u>	Balance, December 31, 2017
	<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	636		\$ 636		-
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		68,300	\$ 65,000	-
16-17	Acquisition of a New Ambulance	280,900		280,900		-
16-21	Replacement of Alden Street Sewer Main	133,000		133,000		-
17-3	Various Public Improvements	-	\$ 480,900	-	-	480,900
17-7	Resurface Various Streets	-	476,000	-	-	476,000
		<u>\$ 1,362,354</u>	<u>\$ 956,900</u>	<u>\$ 1,206,636</u>	<u>\$ 65,000</u>	<u>\$ 1,047,618</u>

## **WATER UTILITY FUND**



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

	<u>Operating</u>	<u>Capital</u>
Balance, January 1, 2017	\$ 990,470	\$ 13,866
Increased by Receipts:		-
Receipts from Water Collector	\$ 2,033,106	-
Fire Hydrant Service	45,084	-
Miscellaneous	7,373	-
Receipts from Water Utility Capital Fund	104	-
Interest Earned	-	-
	<u>2,085,667</u>	<u>\$ 116</u>
	3,076,137	13,982
Decreased by Disbursements:		
2017 Budget Appropriations	1,512,917	-
2016 Appropriation Reserves	89,881	-
Payments to Current Fund	500,000	-
Payments to Water Utility Operating Fund		104
Accrued Interest	55,397	-
	<u>2,158,195</u>	<u>104</u>
Balance, December 31, 2017	<u>\$ 917,942</u>	<u>\$ 13,878</u>

**STATEMENT OF CASH - WATER COLLECTOR**

Increased by Receipts:	
Consumer Accounts Receivable	<u>\$ 2,033,106</u>
Decreased by Disbursements:	
Payments to Treasurer	<u>\$ 2,033,106</u>

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

		Balance, December 31, <u>2017</u>
Due to General Capital Fund		\$ 1,965,234
Due from Water Utility Operating Fund		(2,483,012)
Deferred Charges - Overexpenditure of Ordinance Appropriations		(523)
Encumbrances Payable		159,100
Capital Improvement Fund		54,059
Fund Balance		47,319
<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	21,332
12-21	Replacement of Various Water Mains	115,804
12-22	Replacement of Various Water Mains (Amend Ord. 11-7)	205,371
14-13	Acquisition of New Additional or Replacement Vehicles & Equipment	<u>9,600</u>
		<u>\$ 13,878</u>

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

Balance, January 1, 2017	<u>\$ 100</u>
Balance, December 31, 2017	<u><u>\$ 100</u></u>

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

Balance, January 1, 2017	\$ 285,189
Increased by:	
Billings	<u>2,014,992</u>
	2,300,181
Decreased by:	
Collections	<u>2,033,106</u>
Balance, December 31, 2017	<u><u>\$ 267,075</u></u>

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

Balance, January 1, 2017

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

Balance, December 31, 2017

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, 2017		\$ 2,397,916
Increased by:		
Overexpenditure of Ordinances Raised in 2017 Budget	\$ 85,108	
Cash Disbursements	<u>104</u>	
		<u>85,212</u>
		2,483,128
Decreased by:		
Interest Earned		<u>116</u>
Balance, December 31, 2017		<u>\$ 2,483,012</u>

## EXHIBIT D-12

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

	Balance, January 1, <u>2017</u>	<u>Increased by:</u> Overexpenditure of Ordinances	Balance, December 31, <u>2017</u>
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	850,570		850,570
Acquisition of Real Property	232,958		232,958
Replacement of Various Water Mains	<u>2,019,488</u>	<u>\$ 523</u>	<u>2,020,011</u>
	<u>\$ 6,388,071</u>	<u>\$ 523</u>	<u>\$ 6,388,594</u>

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

<u>Improvement Description</u>	<u>Ordinance</u>			Balance,	Balance,
	<u>Number</u>	<u>Date</u>	<u>Amount</u>	January 1, <u>2017</u>	December 31, <u>2017</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	<u>305,000</u>	<u>305,000</u>
				<u>\$2,740,000</u>	<u>\$ 2,740,000</u>

**BOROUGH OF WALLINGTON  
STATEMENT OF 2016 APPROPRIATION RESERVES  
WATER UTILITY OPERATING FUND**

	Balance, January 1, <u>2017</u>	Prior Year Encumbrances <u>Restored</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries	\$ 44,960			\$ 44,960
Other Expenses	178,233	\$ 79,012	\$ 89,881	167,364
Deferred Charges And Statutory Expenditures				
Social Security System (O.A.S.I.)	<u>9,117</u>	<u>-</u>	<u>-</u>	<u>9,117</u>
Total Water Utility Appropriation Reserves	<u>\$ 232,310</u>	<u>\$ 79,012</u>	<u>\$ 89,881</u>	<u>\$ 221,441</u>
		Cash Disbursements	<u>\$ 89,881</u>	

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

Balance, January 1, 2017	\$ <u>3,862</u>
Balance, December 31, 2017	\$ <u>3,862</u>

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

Balance, January 1, 2017	\$ <u>1,250,802</u>
Balance, December 31, 2017	\$ <u>1,250,802</u>

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

Balance, January 1, 2017	\$ 752,653
Increased by:	
Payments to Current Fund	<u>500,000</u>
	1,252,653
Decreased by:	
Expenditures Paid by Current Fund - 2017 Budget	<u>342,390</u>
Balance, December 31, 2017	\$ <u>910,263</u>



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

Ord. No.	Improvement Description	Ordinance		Balance, January 1, 2017		Prior Year Encumbrances Restored	Expended	Balance, December 31, 2017		Overexpended
		Date	Amount	Funded	Unfunded			Funded	Unfunded	
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	21,132		\$ 200		21,332		
12-21	Replacement of Various Water Mains	12/20/2012	2,100,000		\$ 82,391	274,904	\$ 241,491		\$ 115,804	
12-22	Replacement of Various Water Mains (Amend Ord. 11-7)	12/20/2012	305,000	3,861	301,139		99,629		205,371	
14-13	Acquisition of New Additional or Replacement Vehicles & Equipment	9/25/2014	695,000			9,600			9,600	
15-5	Hathaway Street Water Main	3/26/2015	215,000	-	-	-	523	-	-	\$ 523
				<u>\$ 25,045</u>	<u>\$ 383,530</u>	<u>\$ 284,704</u>	<u>\$ 341,643</u>	<u>\$ 21,384</u>	<u>\$ 330,775</u>	<u>\$ 523</u>

Due to General Capital Fund \$ 182,543  
Encumbrances Payable 159,100

\$ 341,643

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

Balance, January 1, 2017	<u>\$ 54,059</u>
Balance, December 31, 2017	<u>\$ 54,059</u>

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

Balance, January 1, 2017	\$ 3,573,712
Increased by:	
Notes Paid by Operating Budget	\$ 53,229
Bonds Paid by Operating Budget	65,000
Overexpenditure of Ordinances	<u>523</u>
	<u>118,752</u>
Balance, December 31, 2017	<u>\$ 3,692,464</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, January 1, 2017</u>	<u>Balance, December 31, 2017</u>
	<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	<u>34,000</u>	<u>34,000</u>
			<u>\$ 369,000</u>	<u>\$ 369,000</u>

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

Balance, January 1, 2017	\$ 10,490
Increased by:	
Charges to 2017 Budget Appropriations	<u>59,232</u>
	69,722
Decreased by:	
Cash Disbursements	<u>55,397</u>
Balance, December 31, 2017	<u>\$ 14,325</u>

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

Balance, January 1, 2017	\$ 79,012
Increased by:	
Charges to 2017 Budget Appropriations	<u>142,684</u>
	221,696
Decreased by:	
Restored to Appropriation Reserves	<u>79,012</u>
Balance, December 31, 2017	<u><u>\$ 142,684</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, 2017</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Water Capital Improvement Bonds	10/15/2003	\$ 753,000	10/15/2018	68,000	4.000%	<u>\$ 133,000</u>	<u>\$ 65,000</u>	<u>\$ 68,000</u>
				Paid by Budget Appropriation			<u>\$ 65,000</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, 2017	Increased	Decreased	Balance, December 31, 2017
11-7	Replacement of Various Water Mains	9/28/2013	9/23/2016 9/1/2017	9/22/2017 8/23/2018	1.01% 2.25%	\$ 1,731,645	\$ 1,708,860	\$ 1,731,645	\$ 1,708,860
12-21	Replacement of Various Water Mains	9/28/2013	9/23/2016 9/1/2017	9/22/2017 8/23/2018	1.01% 2.25%	2,073,417	2,046,834	2,073,417	2,046,834
12-22	Replacement of Various Water Mains	9/28/2013	9/23/2016 9/1/2017	9/22/2017 8/23/2018	1.01% 2.25%	301,139	297,278	301,139	297,278
14-13	Acquisition of Vehicles & Equipment	9/25/2015	9/23/2016 9/1/2017	9/22/2017 8/23/2018	1.01% 2.25%	661,000	661,000	661,000	661,000
15-5	Hathaway Street Water Main	9/25/2015	9/23/2016 9/1/2017	9/22/2017 8/23/2018	1.01% 2.25%	204,700 -	204,700	204,700 -	204,700
						<u>\$ 4,971,901</u>	<u>\$ 4,918,672</u>	<u>\$ 4,971,901</u>	<u>\$ 4,918,672</u>
						Renewals	\$ 4,918,672	\$ 4,918,672	
						Paid by Budget Appropriation	-	53,229	
							<u>\$ 4,918,672</u>	<u>\$ 4,971,901</u>	

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

	Balance, January 1, <u>2017</u>	Balance, December 31, <u>2017</u>
County of Bergen		
Acquisition of Real Property	\$ 40,200	\$ 40,200

Analysis of Balance

Offset by Reserve for Receivable \$ 40,200

EXHIBIT D-27

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

Balance, January 1, 2017	\$ 284,704
Increased by:	
Charges to Improvement Authorizations	<u>159,100</u>
	443,804
Decreased by:	
Restored to Improvement Authorizations	<u>284,704</u>
Balance, December 31, 2017	<u>\$ 159,100</u>



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

Balance, January 1, 2017	\$ 85,108
Increased by:	
Overexpenditure of Ordinance Appropriation: 15-5	<u>523</u>
	85,631
Decreased by:	
Raised in 2017 Adopted Budget	<u>85,108</u>
Balance, December 31, 2017	<u><u>\$ 523</u></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>2017</u>	Balance, December 31, <u>2017</u>
06-12	Acquisition of Real Property	\$ <u>80,458</u>	\$ <u>80,458</u>
		\$ <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  
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ROBERT LERCH, CPA  
ADWOA BOACHIE, CPA

## 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018. 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 and the omission of the note disclosures regarding the post-employment benefit obligations.

### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.



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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-001, 2017-002, 2017-003, 2017-004 and 2017-005 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 2017-001, 2017-002, 2017-003, 2017-004 and 2017-005.

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**

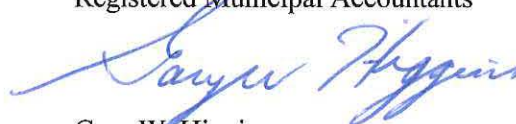
The Borough of Wallington's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of Wallington's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we 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  
June 25, 2018

**BOROUGH OF WALLINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Federal CFDA Number	Original Grant Award Amount	Current Year Grant Receipt	Grant Year	Balance, January 1, 2017	Revenue Realized	Expenditures	Balance, December 31, 2017	Cumulative Expended
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 Homeland Security									
FEMA Firefighters Scuba Grant			\$ 7,950						
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 Curbs and Sidewalks on Anderson Ave.		65,000		2016	65,000	-	-	65,000	-
					<u>\$ 114,046</u>	<u>\$ -</u>	<u>\$ -</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, 2017

Grant Number	State Grant Program	Grant Award	Current Year Grant Receipt	Grant Award Year	Balance, January 1, 2017	Revenue Realized	Expended	Balance, December 31, 2017	Cumulative Expended
8030-150-041650-60	Supplemental Fire Services Program	\$ 1,573		Prior Years	\$ 1,573			\$ 1,573	
1020-100-232	Safe and Secure Neighborhood		\$ 193,069						
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	1,922		2003	1,775			1,775	\$ 147
		624		2005	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		\$ 967		967	-
		901	901	2018					-
1110-448-031020-22	Drunk Driving Enforcement Fund	7,946		2009	6,475		\$ 601	5,874	2,072
		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			-	-
		2,039		2009	2,039			2,039	-
N/A	Clean Communities	15,120		2012	11,624			11,624	3,496
		2,535		2014	2,535			2,535	180
		16,386		2015	16,386			16,386	-
		42,645		2016	42,645			42,645	-
			19,346	2017					-
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	-
		116		2017		116		116	-
			58	2018					-
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	-
		4,710		2017		4,710		4,710	-
			27,923	2018					-
N/A	Body Armor Replacement	2,251		2013	1,296		1,296	-	2,251
		2,187		2015	2,187		2,187	-	2,187
		2,184		2016	2,184		1,317	867	1,317
			2,428	2017					-
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	10,388		2007	1,474		1,474	-	10,388
		11,500		2009	8,974		1,556	7,418	4,082
		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	-
		8,977		2017		8,977		8,977	-
		7,964	7,964	2018					-
N/A	Livable Communities Grant								
N/A	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	-
N/A	Streetscape Improvements to Paterson Avenue and Union Boulevard	250,000	250,000	2017	-	250,000	250,000	-	250,000
100-022-8030-620-FFFF-6120	Legislative Grant - Emergency Services Building	16,230		2001	9,530	-	-	9,530	6,700
					\$ 452,893	\$ 264,770	\$ 258,431	\$ 459,232	

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

**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, 2017**

**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	\$ -	\$ 14,770	\$ 14,770
General Capital Fund	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Total Financial Awards	<u>\$ -</u>	<u>\$ 264,770</u>	<u>\$ 264,770</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, 2017**

**NOTE 5 STATE LOAN OUTSTANDING**

The Borough's state loan outstanding at December 31, 2017, 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>62,134</u>

**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

*Part I – Summary of Auditor's Results*

**Financial Statements**

Type of auditors' report issued on financial statements

Modified, Unaudited LOSAP Trust Fund and omission of the notes disclosures regarding the post-employment benefit obligations.

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, 2017**

***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 2017-001:**

Our audit revealed the following:

- Certain bills that related to 2017 were not recorded as liabilities at December 31, 2017.
- Certain bills were allocated between the Current and Water Operating Funds; however no supporting documentation pertaining to the allocation was available.
- Numerous instances were noted where a purchase order was not generated prior to the receipt of goods/services.
- 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 2017-001.

**Questioned Costs:**

None.

**Context:**

- Bills in the amount of \$130,739 were not recorded as liabilities at December 31, 2017 in the Current Fund.
- Bills in the amount of \$159,100 were not recorded as liabilities at December 31, 2017 in the Water Utility Capital Fund.
- Bills in the amount of \$81,681 were not recorded as liabilities at December 31, 2017 in the Water Operating 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.
- A receipt of good/services signature was not obtained from a Borough employee on numerous purchase orders tested.
- The following expenditures were incurred in excess of available 2017 appropriations:

Current Fund - 2017 Appropriations	
Fire - Other Expenses	\$ 432
Streets and Roads - Salaries and Wages	43,158
Construction Code Official - Salaries and Wages	10,485
Current Fund - Grant Reserves	
Safe and Secure Communities	84,824
FEMA Grant	8,000
General Capital Fund	
Overexpenditure of Ordinance Appropriation - Ord. 13-7	100
Overexpenditure of Ordinance Appropriation - Ord. 16-17	2,536
Water Utility Capital Fund	
Overexpenditure of Ordinance Appropriation - Ord. 15-5	523

**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

***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 2017-001 (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 at December 31, 2017 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, 2017**

*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 2017-002**

Certain accounts in the Current, General Capital, Water Utility and Trust Funds general ledgers for the year ended December 31, 2017 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 Animal Control Trust Funds were posted as a single general journal entry and year to date cash disbursements in the 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, 2017**

*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 2017-003**

Our audit of tax title liens indicated the following:

- A subsidiary ledger is not maintained for Borough owned municipal tax title liens.
- The Borough did not maintain an analysis of third party tax title liens and tax sale premiums and amounts outstanding at December 31, 2017.

**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 2017-003

**Questions Costs**

None.

**Context**

- The Borough does not maintain a subsidiary ledger to report the year-end balance of \$752,650 and/or activity during the year in municipal tax title liens receivable, as of December 31, 2017.
- The Borough does not maintain a subsidiary ledger to support the balance of \$419,909 in third party lien redemptions/tax sale premiums as of December 31, 2017.

**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, 2017**

*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 2017-003 (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  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*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 2017-004**

Our audit noted that supporting documentation was not available for certain purchases subject to the Local Public Contracts Law:

**Criteria or Specific Requirements**

Local Public Contracts Law and Regulations (N.J.S.A. 40A:11-1 et seq. and N.J.A.C. 5:34).

**Condition**

See Finding 2017-004

**Questioned Cost**

Undeterminable.

**Context**

- Specific vendors utilized under National and Local Cooperative agreements were not approved by the Governing Body for the following items:
  - Fire Truck in the amount of \$699,559.
  - Ambulance in the amount of \$277,827.
- A contract recorded in the Borough's financial records for road improvement was not approved in the minutes.
- A 2017 contract awarded to an engineering firm was advertised in April 2018. The vendor was paid \$73,738 in 2017.

**Effects**

Noncompliance with the requirements of the Local Public Contracts Law.

**Recommendation**

Procedures over purchasing be reviewed and revised to ensure all contract awards and purchases are made in accordance with the requirements of the Local Public Contracts Law.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**BOROUGH OF WALLINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*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 2017-005:**

Our audit revealed that the Borough's notes to the financial statements did not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents.

**Criteria or specific requirement:**

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

**Condition:**

The Notes to the Financial Statements did not contain disclosures required by the Governmental Accounting Standards Board Statement Number 45 and the Division of Local Government Services.

**Questioned Costs:**

Not Applicable.

**Context:**

See Finding 2017-005.

**Effect:**

The Auditor's opinion was modified due to the omission of the note disclosures.

**Cause:**

Unknown.

**Recommendation:**

The Borough obtain the actuarial report for valuations of Other Post-Employment Benefit (OPEB) obligations for disclosures required to be made in the notes to the financial statements.

**Management's Response:**

Management agrees with finding and indicated that procedures have been implemented by administration to obtain the required actuary report.

**BOROUGH OF WALLINGTON  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 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.

**Status**

See Finding 2017-001.

**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 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 2017-002.

**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.

**Status**

See Finding 2017-003.

**BOROUGH OF WALLINGTON**

**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2017**

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>			<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 715,000	1.96 %	\$	585,000	1.96 %
Miscellaneous - From Other Than Local					
Property Tax Levies	2,203,725	8.71		2,601,455	8.71
Collection of Delinquent Taxes and Tax Title Liens	836,242	1.61		479,849	1.61
Collection of Current Tax Levy	<u>26,677,312</u>	<u>87.72</u>		<u>26,191,660</u>	<u>87.72</u>
Total Income	<u>30,432,279</u>	<u>100.00</u> %		<u>29,857,964</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	11,215,911	36.77		10,891,476	36.77 %
County Taxes	2,487,603	8.03		2,379,435	8.03
Local School Taxes	16,309,286	54.17		16,044,883	54.17
Other Expenditures	<u>106,304</u>	<u>1.03</u>		<u>304,954</u>	<u>1.03</u>
Total Expenditures	30,119,104	<u>100.00</u> %		29,620,748	<u>100.00</u> %
Excess of Revenues Over Expenditures	313,175			237,216	
Adjustments to Income before Fund Balance:					
Expenditures Included Above Which are by Statute					
Deferred Charges to Budget of Succeeding Year	<u>104,075</u>			<u>2,182</u>	
Statutory Excess to Fund Balance	417,250			239,398	
Fund Balance, January 1	<u>1,209,005</u>			<u>1,554,607</u>	
	1,626,255			1,794,005	
Less Amount of Fund Balance Utilized as Revenue	<u>715,000</u>			<u>585,000</u>	
Fund Balance, December 31	<u>\$ 911,255</u>			<u>\$ 1,209,005</u>	

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>			<u>Year 2016</u>		
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>	
REVENUE AND OTHER INCOME REALIZED						
Fund Balance Utilized	\$ 203,429	8.10	%	\$ 158,374	6.50	
Collection of Water Rents	2,033,106	80.98		1,983,393	81.35	%
Miscellaneous - From Other Than Rents	<u>274,014</u>	<u>10.92</u>		<u>296,136</u>	<u>12.15</u>	
Total Income	<u>2,510,549</u>	<u>100.00</u>	%	<u>2,437,903</u>	<u>100.00</u>	%
EXPENDITURES						
Budget Expenditures						
Operating	1,895,860	84.87	%	1,987,725	89.72	%
Deferred Charges and Statutory						
Expenditures	160,608	7.19		75,500	3.41	
Debt Service	<u>177,461</u>	<u>7.94</u>		<u>152,149</u>	<u>6.87</u>	
Total Expenditures	<u>2,233,929</u>	<u>100.00</u>	%	<u>2,215,374</u>	<u>100.00</u>	%
Statutory Excess to Fund Balance	276,620			222,529		
Fund Balance, January 1	<u>285,240</u>			<u>221,085</u>		
	561,860			443,614		
Less: Utilized as Revenue:						
Current Fund						
Water Operating Fund	<u>203,429</u>			<u>158,374</u>		
Fund Balance, December 31	<u>\$ 358,431</u>			<u>\$ 285,240</u>		

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>\$2.915</u>	<u>\$2.858</u>	<u>\$2.736</u>

Apportionment of Tax Rate

Municipal (Including Library Levy)	.935	.912	.912
County	.262	.251	.245
Local School	1.718	1.695	1.579

Assessed Valuation

2017	<u>\$949,481,648</u>	
2016		<u>\$946,602,304</u>
2015		<u>\$943,139,032</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>
2017	\$ 27,739,043	\$ 26,677,312	96.17%
2016	27,239,293	26,191,660	96.15%
2015	25,830,573	25,315,976	98.01%

**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 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2017	\$ 752,650	\$ 923,543	\$ 1,676,193	6.04%
2016	372,091	1,022,776	1,394,867	5.12%
2015	372,091	547,158	919,249	3.73%

**Comparison of Water Utility Billings**

<u>Year</u>	<u>Levy</u>	<u>Collections *</u>
2017	\$2,014,992	\$2,033,106
2016	2,033,432	1,983,393
2015	2,043,880	2,011,276

\* Includes collections of prior years' receivables

**Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2017	\$911,255	\$522,400 (A)
	2016	1,209,005	715,000
	2015	1,554,607	585,000
	2014	1,131,217	657,894
	2013	1,493,824	563,049
Water Utility Operating Fund	2017	\$358,431	\$280,711 (A)
	2016	285,240	203,429
	2015	221,085	158,374
	2014	423,869	222,000
	2013	523,869	100,000

(A) The above fund balance amounts represent the amounts in the 2018 introduced budget, as amended.



**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS AS OF DECEMBER 31, 2017**

<u>Name</u>	<u>Title</u>
Mark Tomko	Mayor
Eugeniusz Rechelski	Council President
Bryan Olkowski	Councilman
Khaldoun Androwis	Councilman
Melissa Dabal	Councilwoman
Joseph Brunacki IV	Councilman
Wendy Su Ivanicki	Councilwoman
Witold T. Baginski	Borough Clerk
	Borough Administrator (Through June 2017)
	Officer for Searches for Municipal Improvements
Jane Fontana	Borough Administrator (From July 2017)
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
Barbara Potash	Tax Assessor
Paula Gilbert	Sec. of Board of Health
	Licensing Official and
	Registrar of Vital Statistics
	Dog Licensing Official
Frank Recanati	Plumbing Inspector
Casimer Sondey	Magistrate
Andrea Heyler-Infante	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**

The audit indicated that certain water utility deposits were not made within 48 hours of receipt. It is recommended that all water utility operating bank deposits be made within 48 hours of receipt.

The audit indicated that there exists certain prior year grants receivable balances in the Current, General Capital and Water Capital Funds. It is recommended that prior year grants receivable be reviewed and steps be taken to clear them of record.

The audit indicated health benefit employee contributions were not withheld for certain employees in accordance with Chapter 78. It is recommended that employee health benefit contributions be made and withheld in accordance with State law.

The Borough utilized an official depository that was not designated as an official depository. It is recommended that all banks utilized be approved by the Borough as official depositories.

The Borough has a lease agreement with a landscaping company to rent Borough owned property. The terms of the lease indicate the tenant shall pay charges for water and other utilities used by the tenant. The Borough has not billed the tenant for water and other utility charges for a number of years. It is recommended the Borough bill its tenant for water and other utility charges on a regular basis in accordance with its lease agreement.

Our audit revealed that certain purchase orders were not provided for audit. It is recommended that all purchase orders be retained and be made available for audit.

Our audit of the Construction Code department revealed the required annual Uniform Construction Code report was not filed with the State of New Jersey. It is recommended that the Uniform Construction Code Annual Report be prepared and filed with the State, as required.

Our audit revealed there are cash deficits for certain General Capital and Water Utility Capital ordinances that are over five years old. It is recommended that all cash deficits for capital ordinances in excess of five years old be funded.

Our audit of the Municipal Court revealed that checks issued to respective agencies were not remitted by the 15<sup>th</sup> day of the following month. It is recommended that all checks from the Municipal Court fines account be remitted to the respective agencies by the 15<sup>th</sup> of the month following receipt.

The audit revealed that payments for health benefit waivers are not being charged to the proper budget account. It is recommended that health benefit waiver payments be charged to the proper budget account.

The audit of the tax collector's records revealed certain prior year's outstanding receivables on property taxes which appear to be invalid. It is recommended that the tax collection records be reviewed and invalid property taxes balances be removed.

The audit of the Borough's "Compensated Absences" report indicated certain pay rates utilized in the report were not in agreement with actual compensated pay rate. In addition, there were instances where the days utilized in the report were not in agreement with attendance records or were not permissible to be paid per union agreements. It is recommended that greater care be taken when preparing the "Compensated Absences" report,

#### **Prior Year Findings-Unresolved**

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 ledgers be in agreement with the audit balances.

## **BOROUGH OF WALLINGTON SUPPLEMENTARY DATA**

### **GENERAL COMMENTS (Continued)**

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

The audit of the December 31, 2017 bank reconciliations indicated there exists certain old outstanding checks and reconciling items including transfers between Borough accounts which do not appear on both account's reconciliations. It is recommended that old outstanding checks and reconciling items on the bank reconciliations be reviewed, cleared of record and reconciled between the related funds.

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.

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.

The audit indicated there is no payroll deduction ledger maintained and in addition there appears to exist excess balances in the payroll bank accounts. It is recommended that a payroll deduction ledger be maintained and any 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.

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 substantial interfunds outstanding at December 31, 2017 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 134 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 returns 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 NJS 40A:11-5.

## **BOROUGH OF WALLINGTON SUPPLEMENTARY DATA**

### **GENERAL COMMENTS (Continued)**

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

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 NJS.A. 40A:11-6.

#### **Collection of Interest on Delinquent Taxes and Assessments**

The statute provides the method for authorizing interest and the maximum rates to be charged for the 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 20, 2017.

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>
2017	Unknown
2016	Unknown
2015	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 and Water Capital Fund unexpended improvement authorization balances should be reviewed and cancelled where appropriate.
- Formal policy be implemented regarding use of store procurement cards.
- The deficit of \$95 in the Memorial Day Parade Reserve be funded.
- The finance office initiate a fixed assets additions and disposal tracking system.

**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, cleared of record and reconciled between the related funds.
- \* 6. The Borough maintain an analysis of the escrow deposits in the Other Trust Fund.
- \* 7. Dedication by riders be obtained or balances be disposed of for each of the other reserves in the Other Trust Fund.
- \* 8. Internal controls be enhanced to ensure 1099 forms are issued to all eligible vendors paid in excess of \$600 from Borough accounts.
- \* 9. A payroll deduction ledger be maintained and any excess balances in the payroll bank accounts be reviewed.
- \* 10. Appropriated grant reserves be reviewed for proper disposition.
- \* 11. The Borough implement procedures to verify the payment of payroll deductions by its third party payroll provider.
- \* 12. All interfunds be cleared of record as of December 31 and all interfund transactions be recorded in both funds affected.
- \* 13. With respect to the Municipal Court tickets assigned not issued in excess of six months be recalled.
- \* 14. The Borough's address and not the payroll service company's address be properly reported on all federal tax returns and correspondence.
- 15. Procedures over purchasing be reviewed to ensure all contract award and purchases are made in accordance with the requirements of the Local Public Contracts Law.
- 16. Water utility operating bank deposits be made within 48 hours of receipt.
- 17. Prior year grants receivable be reviewed and steps be taken to clear them of record.
- 18. Employee health benefits contributions be made and withheld in accordance with State law.
- 19. All banks utilized be approved by the Borough as official depositories.
- 20. The Borough bill its tenant for water and other utility charges on a regular basis in accordance with its lease agreement.

**BOROUGH OF WALLINGTON  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS (Continued)**

It is recommended that:

21. The Borough obtain the actuarial report for valuations of Other Post-Employment Benefit (OPEB) obligations for disclosures required to be made in the notes to the financial statements.
22. The tax collection records be reviewed and invalid property taxes balances be removed.
23. All purchase orders be retained and be made available for audit.
24. The Uniform Construction Code Annual Report be prepared and filed with the State, as required.
25. All cash deficits for capital ordinances in excess of five years old be funded.
26. All checks from the Municipal Court fines account be remitted to the respective agencies by the 15<sup>th</sup> of the month following receipt.
27. Health benefit waiver payment be charged to the proper budget account.
28. Greater care be taken when preparing the "Compensated Absences" report.

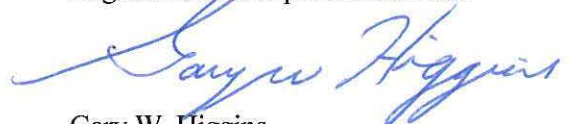
\* \* \* \* \*

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