

*BOROUGH OF
MOUNTAIN LAKES
COUNTY OF MORRIS
REPORT OF AUDIT
2016*

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF MOUNTAIN LAKES

COUNTY OF MORRIS

REPORT OF AUDIT

2016

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BOROUGH OF MOUNTAIN LAKES

PART I

REPORT ON AUDIT OF

FINANCIAL STATEMENTS AND

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2016



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Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Mountain Lakes
County of Morris, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* – of the various funds of the Borough of Mountain Lakes, in the County of Morris (the "Borough") as of and for the year ended December 31, 2016 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Borough'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 Borough'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.

The Honorable Mayor and Members
of the Borough Council
Borough of Mountain Lakes
Page 2

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

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the 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 the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Borough as of December 31, 2016, or the changes in financial position or where applicable, cash flows thereof for the year then ended.

Basis for Qualified Opinion

The Borough's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2016 financial statement of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statement referred to above present fairly, in all material respects, the financial position of the various funds of the Borough of Mountain Lakes as of December 31, 2016 and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

The financial statements of the Borough as of December 31, 2015 were audited by other auditors whose report dated June 8, 2016 expressed a qualified opinion because the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amounts reflected in the trust fund statements were not audited, and therefore, no opinion was expressed on the LOSAP program.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

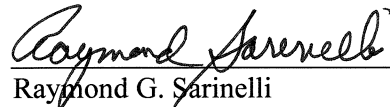
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund 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 data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2017 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

April 3, 2017
Mount Arlington, New Jersey

NISIVOCIA LLP



Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
CURRENT FUND

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS

		December 31,	
	Ref.	2016	2015
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 3,308,960.90	\$ 2,291,443.11
Petty Cash			250.00
Change Funds		200.00	200.00
		<u>3,309,160.90</u>	<u>2,291,893.11</u>
Due From State of New Jersey			
Senior Citizen and Veterans Deductions		2,520.26	2,520.26
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	380,122.92	217,980.64
Property Acquired for Taxes - Assessed Valuation		169,885.09	169,885.09
Due From Third Party Lien Holder			2,458.39
Due From Animal Control Fund	B	2,841.00	17.41
Due From Other Trust Fund	B	1,510.00	
Due From Recreation Trust Fund	B	32,317.37	
Due From State Unemployment Insurance Trust Fund	B		50.00
Due From Police Outside Duty Trust Fund	B	178,101.18	89,833.96
Due From Police Forfeited Trust Fund	B	160.47	139.49
Due From Developers Escrow Trust Fund	B	274.76	222.00
Due From Other Trust Fund	B		343.70
Due From Flex Spending Trust Fund	B	2,953.25	1,943.71
Due From Shade Tree Trust Fund	B	90.00	72.76
Due From Affordable Housing Trust Fund	B	426.56	293.93
Due From Water Utility Operating Fund	D	111,127.78	257,692.78
Due From Water Utility Capital Fund	D	50.00	50.00
Due From Water Utility Operating Fund - Claims Account	D	1,079.48	
Due From Sewer Utility Operating Fund	E		519,968.55
Due From Sewer Utility Capital Fund	E	50.00	50.00
Due From Net Payroll Account		24,541.79	24,196.94
Due From Payroll Agency Account		149.87	106,141.98
Total Receivables and Other Assets		<u>905,681.52</u>	<u>1,391,341.33</u>
Total Regular Fund		<u>4,217,362.68</u>	<u>3,685,754.70</u>
Federal and State Grant Fund:			
Grants Receivable	A-10	142,258.72	80,008.72
Due from Current Fund	A	192,049.66	11,992.28
Total Federal and State Grant Fund		<u>334,308.38</u>	<u>92,001.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,551,671.06</u>	<u>\$ 3,777,755.70</u>

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS

		December 31	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 458,518.93	\$ 302,955.12
Encumbered	A-3;A-11	63,428.62	195,459.31
Total Appropriation Reserves		521,947.55	498,414.43
Accounts Payable - Vendors		11,500.00	
Tax Overpayments		155,627.11	125,793.15
School Taxes Payable	A-12		0.49
County Taxes Payable		15,786.63	9,587.46
Due To State of New Jersey:			
Marriage License Fees		125.00	25.00
DCA Training Fees		2,317.00	1,633.00
Due To Local School - Grant Funds		15,484.00	
Due To T-Mobile/Sprint		1,674.97	1,626.16
Prepaid Taxes		96,936.41	157,881.68
Due To Federal and State Grant Fund	A	192,049.66	11,992.28
Due To General Capital Fund	C	626,358.96	476,040.73
Due To Animal Control Fund	B		150.00
Due To Recreation Trust Fund	B		12,126.82
Due To Other Trust Fund	B		140.68
Due To Other Trust Fund - Tax Sale Premiums	B	42,200.00	39,700.00
Due To Water Utility Operating Fund	D		195,019.76
Due To Sewer Utility Operating Fund	E	5.00	
Reserve for Police Equipment		744.71	744.71
Reserve for Exterminating Pests Donation		300.00	300.00
		1,683,057.00	1,531,176.35
Reserve for Receivables and Other Assets	A	905,681.52	1,391,341.33
Fund Balance	A-1	1,628,624.16	763,237.02
Total Regular Fund		4,217,362.68	3,685,754.70
Federal and State Grant Fund:			
Encumbrances	A-13	229,657.83	262.84
Due to Recreation Trust Fund	B	400.00	400.00
Appropriation Reserves	A-13	79,654.80	64,712.67
Unappropriated Reserves	A-14	24,595.75	26,625.49
Total Federal and State Grant Fund		334,308.38	92,001.00
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 4,551,671.06</u>	<u>\$ 3,777,755.70</u>

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

BOROUGH OF MOUNTAIN LAKESCURRENT FUNDCOMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE-REGULATORY BASIS

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2016</u>	<u>2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	741,000.00	\$ 1,500,000.00
Miscellaneous Revenue Anticipated		2,112,119.90	1,506,470.96
Receipts from Delinquent Taxes		217,685.40	109,487.80
Receipts from Current Taxes		29,893,484.06	29,200,517.24
Nonbudget Revenue		97,831.84	55,322.61
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		184,041.65	190,084.45
Interfunds Returned		342,017.21	53,961.58
Cancellation of Appropriated Grant Reserves		2.05	
Total Income		<u>33,588,182.11</u>	<u>32,615,844.64</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		7,573,411.10	7,371,094.60
County Taxes		3,399,251.37	3,318,937.35
Local District School Tax		20,650,265.00	20,190,214.00
Other Receivables			2,458.39
Refund of Prior Year Revenue		3,193.99	
Refund of Prior Year Tax Revenue - Appeals			114,031.85
Interfunds Advanced		<u>355,673.51</u>	<u>997,972.91</u>
Total Expenditures		<u>31,981,794.97</u>	<u>31,994,709.10</u>
Statutory Excess in Revenue		1,606,387.14	621,135.54
<u>Fund Balance</u>			
Balance January 1		<u>763,237.02</u>	<u>1,642,101.48</u>
		2,369,624.16	2,263,237.02
Decreased by:			
Utilization as Anticipated Revenue		<u>741,000.00</u>	<u>1,500,000.00</u>
Balance December 31	A	<u>\$ 1,628,624.16</u>	<u>\$ 763,237.02</u>

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

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF REVENUE-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Anticipated			Excess or
	Budget	Added by N.J.S.A 40A:4-87	Realized	Deficit *
Fund Balance Anticipated	\$ 741,000.00		\$ 741,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverage	12,688.00		16,000.00	\$ 3,312.00
Other	1,120.00		680.00	440.00 *
Fees and Permits	30,857.00		42,517.05	11,660.05
Municipal Court Fines and Costs	48,607.00		32,619.04	15,987.96 *
Interest and Costs on Taxes	39,628.40		61,118.20	21,489.80
Interest on Investments & Deposits	7,807.00		14,790.94	6,983.94
Trash Bag Receipts	193,062.50		198,845.50	5,783.00
Board of Education- Solid Waste Collection	55,987.00		52,721.93	3,265.07 *
Recreation Fees and Income	60,490.00		62,428.00	
Board of Education- Field Lease	45,000.00		45,000.00	
Energy Receipts Tax (P.L.1999,Chapters 162 &167)	417,293.00		417,293.00	
Uniform Construction Code Official	151,914.00		132,403.00	19,511.00 *
General Capital Fund Balance	5,000.00			5,000.00 *
Rent for Railroad Station	26,000.00		27,382.08	1,382.08
T-Mobile/Ominipoint Cell Tower Lease	55,075.50		60,831.88	5,756.38
Sprint Cell Tower Lease	19,000.00		19,805.13	805.13
Interfund Accounts Receivable:				
Trust Fund- Third Party/Outside Contractors	40,000.00		40,000.00	
Payroll Agency Account	100,000.00		100,000.00	
Sewer Utility Operating Fund	519,000.00		519,000.00	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF REVENUE-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Anticipated</u>			<u>Excess or</u>
	<u>Budget</u>	<u>Added by</u> <u>N.J.S.A 40A:4-87</u>	<u>Realized</u>	<u>Deficit *</u>
Miscellaneous Revenue:				
New Jersey Department of Transportation Grant		\$ 240,000.00	\$ 240,000.00	
Clean Communities Program	\$ 8,768.93	14,068.65	22,837.58	
New Jersey Sustainable Grant		2,000.00	2,000.00	
Green Communities Grant- Community Forestry	2,250.00		2,250.00	
Body Armor Replacement Fund	1,596.57		1,596.57	
Total Miscellaneous Revenue	1,841,144.90	256,068.65	2,112,119.90	\$ 12,968.35
Receipts from Delinquent Taxes	212,500.00		217,685.40	5,185.40
Amount to be Raised by Taxes for Support of Municipal				
Local Tax for Municipal Purposes	6,132,253.28		7,444,649.37	1,312,396.09
	6,132,253.28		7,444,649.37	1,312,396.09
Budget Totals	8,926,898.18	256,068.65	10,515,454.67	1,332,487.84
Nonbudget Revenue			97,754.79	97,754.79
Totals	\$ 8,926,898.18	\$ 256,068.65	\$ 10,613,209.46	\$ 1,430,242.63

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF REVENUE-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Allocation of Current Tax Collections:

Revenue from Collections	\$ 29,893,484.06
Allocated to School, County and Open Space Taxes	24,049,516.37
Balance for Support of Municipal Budget Appropriations	<u>5,843,967.69</u>
 Add: Appropriation "Reserve for Uncollected Taxes"	 <u>1,600,681.68</u>
Realized for Support of Municipal Budget Appropriations	<u><u>\$ 7,444,649.37</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	<u><u>\$ 217,685.40</u></u>
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Fees and Permits - Other:

Township Clerk	\$ 22,571.86	
Planning and Zoning	19,497.71	
Tax Collector	<u>447.48</u>	
		<u>\$ 42,517.05</u>
		<u><u>\$ 42,517.05</u></u>

Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:

Boat/Bike Resistration	\$ 6,177.60	
Motor Vehicle Fines	30.00	
Verizon	100.00	
Return Check Fees	1,207.31	
Tax Collector	65.00	
FEMA Reimbursement	10,624.13	
Copies	32.12	
Building and Grounds	11,282.94	
Archive Fees	70.00	
Franchise Fees	19,233.00	
Other	7,331.09	
Scrap Metal Proceeds	2,002.77	
2% Senior and Vet Admin Fee	220.00	
Boat Impound	<u>1,100.00</u>	
		\$ 59,475.96
Collection of Prior Receivable - Due from Lien Holder		2,458.39
Miscellaneous Cancellations and Adjustments		34,387.49
Cancellation of Tax Sale Premium -Excess Monies Due Current Fund		<u>1,510.00</u>
		<u><u>\$ 97,831.84</u></u>

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

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Township Manager:					
Salaries and Wages	\$ 123,473.00	\$ 123,473.00	\$ 123,473.00		
Other Expenses	47,520.00	47,520.00	47,419.26	\$ 100.74	
Mayor and Council:					
Other Expenses	3,600.00	3,600.00	3,592.07	7.93	
Township Clerk:					
Salaries and Wages	70,147.00	73,747.00	73,684.45	62.55	
Other Expenses	17,600.00	17,600.00	16,852.22	747.78	
Financial Administration:					
Salaries and Wages	69,127.00	69,127.00	50,178.61	18,948.39	
Other Expenses	8,000.00	14,797.00	13,967.82	829.18	
Revenue Administration (Tax Collector):					
Salaries & Wages	29,214.00	29,614.00	29,323.44	290.56	
Other Expenses	3,435.00	3,435.00	1,968.44	1,466.56	
Audit Services:					
Other Expenses	35,300.00	35,300.00	22,700.00	12,600.00	
Data Processing	20,300.00	20,300.00	14,896.21	5,403.79	
Assessment of Taxes:					
Salaries and Wages	22,127.00	22,127.00	22,127.00		
Other Expenses	1,200.00	1,200.00	918.31	281.69	
Reserve for Tax Appeals	10,000.00	10,000.00	10,000.00		
Legal Services and Costs:					
Other Expenses	125,000.00	125,000.00	111,814.40	13,185.60	
Office of Fire Safety:					
Salaries and Wages	26,132.00	26,132.00	16,332.78	9,799.22	
Other Expenses	8,900.00	8,900.00	101.65	8,798.35	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 12,040.00	\$ 12,040.00	\$ 8,718.96	\$ 3,321.04	
Other Expenses	13,250.00	13,250.00	5,610.58	7,639.42	
Zoning Board of Adjustment:					
Salaries and Wages	15,014.00	15,014.00	11,585.53	3,428.47	
Other Expenses	13,450.00	13,450.00	13,380.91	69.09	
Engineering Services & Costs:					
Other Expenses	25,000.00	36,000.00	32,645.07	3,354.93	
PUBLIC SAFETY:					
Police Department:					
Salaries and Wages	1,678,112.00	1,678,112.00	1,626,179.78	51,932.22	
Other Expenses	109,142.00	121,142.00	112,885.11	8,256.89	
Office of Emergency Management:					
Salaries and Wages	8,000.00	8,000.00	7,990.58	9.42	
Other Expenses	4,000.00	4,000.00	2,826.02	1,173.98	
Aid to Volunteer Rescue Squad:					
Other Expenses	15,000.00	15,000.00	15,000.00		
Fire Department:					
Salaries and Wages	7,500.00	7,500.00	7,491.20	8.80	
Other Expenses	29,100.00	29,100.00	24,562.24	4,537.76	
PUBLIC WORKS:					
Streets and Roads Maintenance:					
Salaries and Wages	361,272.00	361,272.00	326,707.77	34,564.23	
Other Expenses	205,350.00	205,350.00	165,677.28	39,672.72	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
PUBLIC WORKS: (continued):					
Solid Waste Collection:					
Salaries and Wages	\$ 7,253.00	\$ 7,353.00	\$ 7,345.40	\$ 7.60	
Other Expenses	458,950.00	458,950.00	450,175.63	8,774.37	
Building and Grounds:					
Salaries and Wages					
Other Expenses	26,600.00	26,600.00	16,689.07	9,910.93	
Vehicle Maintenance:					
Other Expenses	33,500.00	39,000.00	34,916.65	4,083.35	
Shade Tree:					
Other Expenses	36,250.00	36,250.00	34,456.69	1,793.31	
Parks and Playground Maintenance:					
Other Expenses	101,500.00	101,500.00	93,683.88	7,816.12	
HEALTH AND WELFARE FUNCTIONS:					
Board of Health:					
Salaries and Wages	5,400.00	5,400.00	5,024.78	375.22	
Other Expenses	25,000.00	25,000.00	24,396.10	603.90	
Environmental Commission:					
Other Expenses	4,510.00	5,710.00	2,618.00	3,092.00	
Woodlands Committee-Other Expenses	1,000.00	1,000.00	80.00	920.00	
Contribution to Senior Citizens Center	2,500.00	2,500.00	482.98	2,017.02	
PARKS AND RECREATION FUNCTIONS:					
Recreation & Playground Services:					
Salaries and Wages	117,821.00	112,221.00	96,049.10	16,171.90	
Other Expenses	36,850.00	36,850.00	23,023.39	13,826.61	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS":					
PARKS AND RECREATION FUNCTIONS (continued):					
Celebration of Public Events:					
Other Expenses	\$ 2,300.00	\$ 2,300.00	\$ 1,956.18	\$ 343.82	
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation:					
Salaries and Wages	10,000.00	10,000.00	10,000.00		
UNCLASSIFIED:					
Electricity	59,000.00	59,000.00	46,931.25	12,068.75	
Street Lighting	60,000.00	60,000.00	36,653.37	23,346.63	
Telephone	30,000.00	30,000.00	17,818.61	12,181.39	
Natural Gas	21,000.00	21,000.00	19,015.46	1,984.54	
Gasoline	37,500.00	37,500.00	11,890.51	25,609.49	
STATE UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	111,411.00	111,411.00	109,104.46	2,306.54	
Other Expenses	2,000.00	2,000.00	914.16	1,085.84	
Code Enforcement:					
Salaries and Wages	43,819.00	43,819.00	39,434.94	4,384.06	
Other Expenses	500.00	500.00	109.98	390.02	
Communication Advisory Committee:					
Other Expenses	9,000.00	9,000.00	3,600.00	5,400.00	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Within "CAPS":					
INSURANCE:					
General Liability	\$ 94,460.00	\$ 94,460.00	\$ 87,364.53	\$ 7,095.47	
Workers Compensation	84,500.00	84,500.00	84,500.00		
Employee Group Health	423,236.00	410,639.00	383,757.43	26,881.57	
Unemployment Insurance	10,000.00	10,000.00	10,000.00		
Total Operations Within "CAPS"	4,973,165.00	4,995,565.00	4,572,603.24	422,961.76	
Total Operations Including Contingent Within "CAPS"	4,973,165.00	4,995,565.00	4,572,603.24	422,961.76	
Detail:					
Salaries and Wages	2,717,862.00	2,716,362.00	2,570,751.78	145,610.22	
Other Expenses	2,255,303.00	2,279,203.00	2,001,851.46	277,351.54	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS":					
Statutory Expenditures:					
Contributions to:					
Police & Firemens' Retirement System	340,515.00	341,715.00	341,641.06	73.94	
Public Employees' Retirement System	109,773.00	79,773.00	67,773.00	12,000.00	
Social Security System (O.A.S.I.)	108,037.00	114,037.00	112,523.67	1,513.33	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	558,325.00	535,525.00	521,937.73	13,587.27	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,531,490.00	5,531,090.00	5,094,540.97	436,549.03	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Excluded from "CAPS":					
Maintenance of Free Public Library (PL 1988, Ch.82):					
Other Expenses	\$ 253,000.00	\$ 253,000.00	\$ 252,999.96	\$ 0.04	
Recycling Tax	4,000.00	4,000.00	2,830.14	1,169.86	
Shared Health Services Agreement:					
Denville Township:					
Court Services	56,400.00	56,400.00	54,000.00	2,400.00	
County of Morris Dispatch / 911:					
Other Expenses	105,441.00	105,441.00	105,441.00		
Length of Service Awards Program (LOSAP)	18,000.00	18,400.00		18,400.00	
Public & Private Programs Offset by Revenue:					
Resident Transportation Assistance Act:					
Clean Communities Program (N.J.S.A. 40A: 4-87 + \$14,068.65)	8,768.93	22,837.58	22,837.58		
Green Communities-Forestry	2,250.00	2,250.00	2,250.00		
Sustainable Jersey (N.J.S.A. 40A: 4-87 + \$2,000.00)		2,000.00	2,000.00		
DOT Grant (N.J.S.A. 40A: 4-87 + \$240,000.00)		240,000.00	240,000.00		
New Jersey Body Armor Replacement Funds	1,596.57	1,596.57	1,596.57		
Total Operations - Excluded from "CAPS"	449,456.50	705,925.15	683,955.25	21,969.90	
Detail:					
Other Expenses	449,456.50	705,925.15	683,955.25	21,969.90	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	113,445.00	113,445.00	113,445.00		

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Total Capital Improvements - Excluded from "CAPS"	\$ 113,445.00	\$ 113,445.00	\$ 113,445.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	870,000.00	870,000.00	870,000.00		
Payment of Bond Anticipation Notes	135,000.00	135,000.00	135,000.00		
Interest on Bonds	206,825.00	206,825.00	206,825.00		
Interest on Notes	20,000.00	20,000.00	11,125.95		\$ 8,874.05
Total Municipal Debt Service - Excluded from "CAPS"	1,231,825.00	1,231,825.00	1,222,950.95		8,874.05
Total General Appropriations - Excluded from "CAPS"	1,794,726.50	2,051,195.15	2,020,351.20	\$ 21,969.90	8,874.05
Subtotal General Appropriations	7,326,216.50	7,582,285.15	7,114,892.17	458,518.93	8,874.05
Reserve for Uncollected Taxes	1,600,681.68	1,600,681.68	1,600,681.68		
Total General Appropriations	\$ 8,926,898.18	\$ 9,182,966.83	\$ 8,715,573.85	\$ 458,518.93	\$ 8,874.05
<u>Ref.</u>				A	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 8,926,898.18	
Added by N.J.S.A. 40A:4-87		<u>256,068.65</u>	
		<u>\$ 9,182,966.83</u>	
Cash Disbursed			\$ 6,997,686.08
Encumbrances	A		63,428.62
Reserve for Appropriated Grant Reserves-			
Federal and State Grant Fund			268,684.15
Reserve for Uncollected Taxes			<u>1,600,681.68</u>
			8,930,480.53
Less: Appropriation Refunds			<u>214,906.68</u>
			<u>\$ 8,715,573.85</u>

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
TRUST FUNDS

BOROUGH OF MOUNTAIN LAKES
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 837.54	\$ 284.88
Deficit in Animal Control Reserve	B-6	2,005.86	205.84
Due From Current Fund			132.59
		<u>2,843.40</u>	<u>623.31</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	742,702.66	570,494.16
Due From Current Fund	A	42,200.00	39,700.00
Due From Federal and State Grant Funds	A	400.00	400.00
		<u>785,302.66</u>	<u>610,594.16</u>
<u>TOTAL ASSETS</u>		<u>\$ 788,146.06</u>	<u>\$ 611,217.47</u>

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:			
Due To Current Fund	A	2,841.00	
Due To State Unemployment Insurance Trust			0.51
Due To State Board of Health		2.40	622.80
		<u>2,843.40</u>	<u>623.31</u>
Other Trust Funds:			
Due To Current Fund	A	215,833.59	80,631.54
Due To General Capital Fund	B	1,925.00	1,925.00

BOROUGH OF MOUNTAIN LAKES
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE (Cont'd)</u>		
Reserve for:		
Developers Deposits - Affordable Housing	\$ 32,797.67	\$ 32,797.67
Developers Escrow	44,373.26	72,247.47
Unemployment Compensation Insurance	12,507.93	8,948.51
Police Outside Employment	113,593.45	113,593.45
Police Forfeited Assets	5,093.11	5,093.11
Flexible Spending	2,493.67	4,855.81
Shade Tree Trust	4,412.59	4,112.59
Recreation Trust	172,594.88	143,461.84
Tax Sale Premiums	128,600.00	129,300.00
Other Trust	51,077.51	13,627.17
	<u>785,302.66</u>	<u>610,594.16</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 788,146.06</u>	<u>\$ 611,217.47</u>

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

BOROUGH OF MOUNTAIN LAKES
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

BOROUGH OF MOUNTAIN LAKES
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
GENERAL CAPITAL FUND

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2016	2015
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 423,412.20	\$ 254,004.74
Federal and State Aid Receivable		40,000.00	131,046.59
Due From Current Fund	A	626,358.96	476,040.73
Due From Other Trusts Fund	B	1,925.00	1,925.00
Deferred Charges to Future Taxation:			
Funded		5,495,000.00	6,365,000.00
Unfunded	C-4	3,763,252.59	1,659,726.00
<u>TOTAL ASSETS</u>		<u>\$ 10,349,948.75</u>	<u>\$ 8,887,743.06</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 5,495,000.00	\$ 6,365,000.00
Bond Anticipation Notes Payable	C-7	2,214,000.00	1,640,726.00
Improvement Authorizations:			
Funded	C-5	133,195.19	150,568.04
Unfunded	C-5	2,052,400.13	480,691.78
Due To Sewer Utility Operating Fund	E	6,842.50	
Capital Improvement Fund	C-6	26,739.91	26,714.91
Reserve For Encumbrances		416,492.91	223,156.22
Reserve For Defibrillator		834.23	834.23
Fund Balance	C-1	4,443.88	51.88
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 10,349,948.75</u>	<u>\$ 8,887,743.06</u>

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

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>		
Balance December 31, 2015	C	\$	51.88
Increased By:			
Encumbrances Payable Cancelled			4,392.00
			<hr/>
Balance December 31, 2016	C	\$	4,443.88
			<hr/> <hr/>

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
WATER UTILITY FUND

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 487,662.52	\$ 830,678.00
Due From Current Fund	A		195,019.76
Due From Payroll Account			13,625.73
		<u>487,662.52</u>	<u>1,039,323.49</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	<u>43,190.91</u>	<u>30,290.64</u>
Total Operating Fund		<u>530,853.43</u>	<u>1,069,614.13</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	9,047.13	9,011.02
Due From Water Utility Operating Fund	D	4,880.80	4,916.91
Fixed Capital	D-7	<u>1,756,653.34</u>	<u>1,749,275.34</u>
Total Capital Fund		<u>1,770,581.27</u>	<u>1,763,203.27</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,301,434.70</u>	<u>\$ 2,832,817.40</u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	Ref.	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3;D-9	\$ 60,979.57	\$ 39,242.66
Encumbered	D-3;D-9	23,903.87	43,342.89
		84,883.44	82,585.55
Accounts Payable - Vendors			2,752.70
Due to Current Fund	A	111,127.78	257,692.78
Due to Claims Account	A	1,079.48	
Due to Sewer Utility Operating Fund	E	52,613.77	546,006.49
Due to Water Utility Capital Fund	D	4,880.80	4,916.91
Reserve for Meter Deposits		4,950.00	4,950.00
		259,535.27	898,904.43
Reserve for Receivables	D	43,190.91	30,290.64
Fund Balance	D-1	228,127.25	140,419.06
		530,853.43	1,069,614.13
Total Operating Fund			
Capital Fund:			
Due to Current Fund	A	50.00	50.00
Capital Improvement Fund	D-11	13,228.21	13,228.21
Reserve for Amortization	D-12	1,756,653.34	1,749,275.34
Fund Balance	D-1A	649.72	649.72
		1,770,581.27	1,763,203.27
Total Capital Fund			
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 2,301,434.70	\$ 2,832,817.40

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

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

		Year Ended December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 70,000.00	\$ 68,000.00
Rents		828,764.09	775,440.60
Miscellaneous Revenue		41,248.99	31,807.05
Other Credits to Income:			
Cancellation of Prior Year Accounts Payable		2,752.70	
Unexpended Balance of Appropriation Reserves		22,451.41	79,372.09
Total Income		<u>965,217.19</u>	<u>954,619.74</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		731,675.00	744,000.00
Capital Improvements		17,600.00	15,000.00
Deferred Charges and Statutory Expenditures		58,234.00	56,000.00
Total Expenditures		<u>807,509.00</u>	<u>815,000.00</u>
Excess in Revenue		157,708.19	139,619.74
<u>Fund Balance</u>			
Balance January 1	D	<u>140,419.06</u>	<u>68,799.32</u>
		298,127.25	208,419.06
Decreased by:			
Utilized as Anticipated Revenue		<u>70,000.00</u>	<u>68,000.00</u>
Balance December 31	D	<u>\$ 228,127.25</u>	<u>\$ 140,419.06</u>

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

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2015	D	<u>\$ 649.72</u>
Balance December 31, 2016	D	<u><u>\$ 649.72</u></u>

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

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Operating Fund Balance Anticipated	\$ 70,000.00	\$ 70,000.00	
Water Rents	724,273.00	828,764.09	\$ 104,491.09
Miscellaneous Revenue	13,236.00	41,248.99	28,012.99
	<u>\$ 807,509.00</u>	<u>\$ 940,013.08</u>	<u>\$ 132,504.08</u>

Analysis of Realized Revenue

Miscellaneous Revenue:

Interest on Delinquent Water Rents	\$ 19,499.96	
Water Connection Fees	2,000.00	
Prior Year Refund	3,691.53	
Miscellaneous Water Fees	<u>14,028.83</u>	
		\$ 39,220.32

Interest on Investments:

Due From Water Utility Capital Fund	36.11	
Water Utility Operating Fund	<u>1,992.56</u>	
		<u>2,028.67</u>
		<u>\$ 41,248.99</u>

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

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Appropriations</u>		<u>Expended by</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 369,068.00	\$ 411,068.00	\$ 405,935.09	\$ 5,132.91
Other Expenses	362,607.00	320,607.00	284,192.09	36,414.91
Capital Improvements:				
Capital Outlay	17,600.00	17,600.00		17,600.00
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	30,000.00	30,000.00	30,000.00	
Social Security System (O.A.S.I.)	28,234.00	28,234.00	26,402.25	1,831.75
	<u>\$ 807,509.00</u>	<u>\$ 807,509.00</u>	<u>\$ 746,529.43</u>	<u>\$ 60,979.57</u>

Ref.

D

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 807,509.00	
		<u>\$ 807,509.00</u>	
Cash Disbursed			\$ 667,056.92
Due Current Fund- Truck Lease			60,755.86
Encumbrances Payable	D		23,903.87
			<u>751,716.65</u>
Less: Appropriation Refunds			(5,187.22)
			<u>\$ 746,529.43</u>

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
SEWER UTILITY FUND

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2016	2015
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	E-4	\$ 97,595.02	\$ 120,051.32
Due From Water Utility Operating Fund	D	52,613.77	546,006.49
Due From Sewer Utility Capital Fund	E		230.05
Due From Current Fund	A	5.00	
Due From General Capital Fund	C	6,842.50	
Due From Payroll Account			14,241.12
		157,056.29	680,528.98
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	E-6	37,278.59	30,589.20
Total Operating Fund		194,334.88	711,118.18
Capital Fund:			
Cash and Cash Equivalents	E-4	24,983.78	24,884.05
Due from Sewer Utility Operating Fund	E	4,670.22	5,000.00
Fixed Capital	E-10	187,884.36	187,884.36
Fixed Capital Authorized and Uncompleted	E-11	5,554.00	5,554.00
Total Capital Fund		223,092.36	223,322.41
<u>TOTAL ASSETS</u>		<u>\$ 417,427.24</u>	<u>\$ 934,440.59</u>

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3;E-12	\$ 73,264.93	\$ 42,903.98
Encumbered	E-3;E-12	879.49	30,731.51
Total Appropriation Reserves		<u>74,144.42</u>	<u>73,635.49</u>
Due to Current Fund	A		519,968.55
Due to Sewer Utility Capital Fund	E	4,670.22	5,000.00
		<u>78,814.64</u>	<u>598,604.04</u>
Reserve for Receivables	E	37,278.59	30,589.20
Fund Balance	E-1	78,241.65	81,924.94
		<u>194,334.88</u>	<u>711,118.18</u>
Total Operating Fund			
Capital Fund:			
Improvement Authorizations:			
Funded	E-14	5,554.00	5,554.00
Capital Improvement Fund	E-15	24,050.00	24,050.00
Due to Sewer Utility Operating Fund	E		230.05
Due to Current Fund	A	50.00	50.00
Reserve for Amortization	E-16	187,884.36	187,884.36
Deferred Reserve for Amortization	E-17	5,554.00	5,554.00
		<u>223,092.36</u>	<u>223,322.41</u>
Total Capital Fund			
		<u>223,092.36</u>	<u>223,322.41</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>			
		<u>\$ 417,427.24</u>	<u>\$ 934,440.59</u>

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

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

		Year Ended December 31	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 80,000.00	\$ 37,000.00
Sewer Service Charges		715,006.15	701,750.90
Miscellaneous		89,651.59	72,958.42
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		41,676.97	25,750.11
Total Income		926,334.71	837,459.43
<u>Expenditures</u>			
Budget Appropriations:			
Operating		804,724.00	720,000.00
Capital Improvements		16,000.00	10,000.00
Deferred Charges and Statutory Expenditures		29,294.00	26,000.00
Total Expenditures		850,018.00	756,000.00
Excess Revenue/Statutory Excess to Fund Balance		76,316.71	81,459.43
<u>Fund Balance</u>			
Balance January 1		81,924.94	37,465.51
		158,241.65	118,924.94
Decreased by:			
Utilized by Sewer Utility Operating Budget		80,000.00	37,000.00
Balance December 31	E	\$ 78,241.65	\$ 81,924.94

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

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 80,000.00	\$ 80,000.00	
Sewer Service Charges	700,018.00	715,006.15	\$ 14,988.15
Miscellaneous	<u>70,000.00</u>	<u>89,651.59</u>	<u>19,651.59</u>
	<u><u>\$ 850,018.00</u></u>	<u><u>\$ 884,657.74</u></u>	<u><u>\$ 34,639.74</u></u>
 <u>Miscellaneous Revenue</u>			
Treasurer:			
Interest on Investments		\$ 635.98	
Collector:			
Interest on Sewer Rents	\$ 18,915.88		
Sewer Tap/Connection Fees	<u>70,000.00</u>		
		<u>88,915.88</u>	
Due from Sewer Utility Capital Fund:			
Interest on Investments		<u>99.73</u>	
		<u><u>\$ 89,651.59</u></u>	

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

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Appropriation</u>		<u>Expended by</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 226,094.00	\$ 260,094.00	\$ 230,803.68	\$ 29,290.32
Other Expenses	578,630.00	544,630.00	518,305.37	26,324.63
Two Bridges Sewerage Authority				
Capital Improvements:				
Capital Outlay	16,000.00	16,000.00		16,000.00
Statutory Expenditures:				
Contribution to:				
Public Employee Retirement System	12,000.00	12,000.00	12,000.00	
Social Security System (O.A.S.I.)	17,294.00	17,294.00	15,644.02	1,649.98
Total Sewer Utility Appropriations	<u>\$ 850,018.00</u>	<u>\$ 850,018.00</u>	<u>\$ 776,753.07</u>	<u>\$ 73,264.93</u>

Ref.

E

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	<u>Analysis of Paid or Charged</u>
Cash Disbursed		\$ 755,623.40
Encumbrances Payable	E	879.49
Due to Current Fund:		
Budget Charges for Truck Lease		<u>20,250.18</u>
		<u>776,753.07</u>
		<u>\$ 776,753.07</u>

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
PUBLIC ASSISTANCE FUND
NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
GENERAL FIXED ASSETS ACCOUNT GROUP
UNAUDITED

BOROUGH OF MOUNTAIN LAKES
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(UNAUDITED)

	December 31,	
	2016	2015
<u>ASSETS</u>		
Land	\$ 130,461,025.24	\$ 130,461,025.24
Buildings	1,180,954.45	1,180,954.45
Machinery and Equipment	4,851,170.48	4,851,170.48
<u>TOTAL ASSETS</u>	<u>\$ 136,493,150.17</u>	<u>\$ 136,493,150.17</u>
 <u>RESERVES</u>		
Reserve for General Fixed Assets	<u>\$ 136,493,150.17</u>	<u>\$ 136,493,150.17</u>

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Mountain Lakes include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Mountain Lakes, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Mountain Lakes do not include the operations of the municipal library, volunteer fire department, or first aid squad.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Governmental Accounting Standards Board's Codification section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such 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 of Mountain Lakes accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

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

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

Water Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned Water Utility.

Sewer Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned sewer utility.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (cont'd)

General Fixed Assets Account Group (Unaudited) - Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E "General Fixed Assets".

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the Operating Funds when it is budgeted and in the Capital Funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; and fixed assets purchased by the Water, and Sewer Utility Capital Funds would be depreciated and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust Funds.

- D. Deferred Charges to Future Taxation - The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, or by issuing bonds, loans or capital lease purchase agreements.

E. Other Significant Accounting Policies

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

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

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other Significant Accounting Policies (Cont'd)

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

General Fixed Assets - In accordance with New Jersey Administrative Code Accounting Requirements, as promulgated by Division of Local Government Services, General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost as estimated by the independent appraisal company which conducted the inventory of the Borough's assets. Infrastructure assets are not included in general fixed assets; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly.

Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Utility Funds. The values recorded in the General Fixed Asset Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Utility Funds are recorded in the Utility Capital accounts at cost and are not adjusted for dispositions and abandonments. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represent charges to operations for the costs of the acquisition of property, equipment and improvements. The Utility Funds do not record depreciation on fixed assets.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for Current Operating and Utility Operating Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt

	December 31,		
	2016	2015	2014
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 7,709,000.00	\$ 6,365,000.00	\$ 7,255,000.00
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	1,465,706.00	19,000.00	19,000.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 9,174,706.00</u>	<u>\$ 6,384,000.00</u>	<u>\$ 7,274,000.00</u>

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Serial Bonds:				
General Capital Fund	\$ 6,365,000.00		\$ 870,000.00	\$ 5,495,000.00
Bond Anticipation Notes:				
General Capital Fund	1,640,726.00	\$ 2,214,000.00	1,640,726.00	2,214,000.00
Total	<u>\$ 8,005,726.00</u>	<u>\$ 2,214,000.00</u>	<u>\$ 2,510,726.00</u>	<u>\$ 7,709,000.00</u>

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015
Serial Bonds:				
General Capital Fund	\$ 7,255,000.00		\$ 890,000.00	\$ 6,365,000.00
Bond Anticipation Notes:				
General Capital Fund	1,321,640.00	\$ 1,640,726.00	1,321,640.00	1,640,726.00
Total	<u>\$ 8,576,640.00</u>	<u>\$ 1,640,726.00</u>	<u>\$ 2,211,640.00</u>	<u>\$ 8,005,726.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.696%.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 9,535,000.00	\$ 9,535,000.00	
General Debt	<u>9,174,706.00</u>		<u>\$ 9,174,706.00</u>
	<u>\$ 18,709,706.00</u>	<u>\$ 9,535,000.00</u>	<u>\$ 9,174,706.00</u>

Net Debt \$9,174,706 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,318,808,807.33 = 0.696%.

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

3.5% Average Equalized Valuation of Real Property	\$ 52,752,352.29
Net Debt	<u>9,174,706.00</u>
Remaining Borrowing Power	<u>\$ 43,577,646.29</u>

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 937,690.79
Deductions:	
Operating and Maintenance Costs	<u>\$ 789,909.00</u>
	<u>789,909.00</u>
Excess in Revenue	<u>\$ 147,781.79</u>

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 884,657.74
Deductions:	
Operating and Maintenance Costs	<u>\$ 834,018.00</u>
	<u>834,018.00</u>
Excess in Revenue	<u>\$ 50,639.74</u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2016

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>
General Capital Bonds - General Improvements	09/01/20	4.00%	\$ 800,000.00
General Capital Bonds - General Improvements	07/15/22	4.00%	1,195,000.00
General Capital Bonds - General Improvements	11/15/20	5.00%	1,120,000.00
General Capital Bonds - General Improvements	01/15/25	5.00%	2,380,000.00
			<u>\$ 5,495,000.00</u>

General Capital Bond Anticipation Notes

<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
08/10/17	0.82%	<u>\$ 2,214,000.00</u>

Total Debt Issued and Outstanding \$ 7,709,000.00

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonds Issued and Outstanding:

<u>Year</u>	<u>General Capital Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 875,000.00	\$ 174,775.00	\$ 1,049,775.00
2018	875,000.00	141,687.50	1,016,687.50
2019	880,000.00	108,725.00	988,725.00
2020	880,000.00	75,725.00	955,725.00
2021	550,000.00	41,562.50	591,562.50
2022-2025	1,435,000.00	56,962.50	1,491,962.50
	<u>\$ 5,495,000.00</u>	<u>\$ 599,437.50</u>	<u>\$ 6,094,437.50</u>

Capital Leases

The Borough of Mountain Lakes is leasing equipment totaling \$276,933.94 under capital leases. All capital leases are for terms of five to seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2016.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 2: Long-Term Debt (Cont'd)

Capital Leases (Cont'd)

<u>Year</u>	<u>Amount</u>
2017	\$ 28,341.84
2018	13,080.00
2019	13,080.00
2020	<u>8,720.00</u>
Total Minimum Lease Payments	\$ 63,221.84
Less: Amount Representing Interest	<u>(4,221.17)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 59,000.67</u></u>

Operating Lease:

The Borough of Mountain Lakes has commitments to lease copying equipment under operating leases which expire in 2019. Total operating lease payments made during the year ended December 31, 2016 were \$5,026.28. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 5,026.28
2018	5,026.28
2019	<u>2,513.14</u>
Total Future Minimum Lease Payments	<u><u>\$ 12,565.70</u></u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$2,866,224 at December 31, 2015. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$6,977,655 at December 31, 2015. See Note 5 for further information on the PERS and PFRS.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 3: Fund Balance Appropriated

Fund balances at December 31, 2016, which are appropriated and included in the Current, Water Utility Operating and Sewer Utility Operating Funds, introduced budgets for the year ending December 31, 2017, are as follows:

Current Fund	\$ 1,028,400.00
Water Utility Operating Fund	60,000.00
Sewer Utility Operating Fund	35,000.00

Note 4: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding year. At December 31, 2016, the following deferred charge is shown on the balance sheet of the Animal Control Fund:

	Balance Dec. 31, 2016	Required 2017 Budget Appropriation
Animal Control Fund:		
Deficit in Animal Control Reserve	\$ 2,005.86	\$ 2,005.86

The appropriation in the 2017 budget is not less than that required by statute.

Note 5: Pension Plans

Borough employees participate in one of the following contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$67,773 for 2016.

The employee contribution rate was 6.92% to 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2015, the Borough's liability was \$2,866,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

rolled forward to June 30, 2015. The Borough's proportion 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 members, actuarially determined. At June 30, 2015, the Borough's proportion was 0.012%, which was a change of 0.0005% from its proportion measured as of June 30, 2014. The Borough has rolled forward the net pension liability to December 31, 2015 with no adjustments. The State of New Jersey Public Employee's Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

For the year ended December 31, 2016, the Borough recognized actual pension expense in the amount of \$67,773.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the collective net pension liability as of December 31, 2015 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	December 31, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Borough's proportionate share of the Net Pension Liability	\$ 3,562,366	\$ 2,866,224	\$ 2,282,584

Pension Plan Fiduciary Net Position

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

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

The following represents the membership tiers for PFRS:

Definition
Members who were enrolled prior to May 22, 2010
Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
Members who were eligible to enroll on or after June 28, 2011

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The 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 local participating employers 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. The June 30, 2015 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2015 State special funding situation pension expense is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2015. The pension expense is deemed to be a State administrative expense due to the special funding situation. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific funded amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

Borough contributions to PFRS amounted to \$341,641 for the year ended December 31, 2016. During the fiscal year ended June 30, 2015, the State of New Jersey contributed \$31,853 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$76,328.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities and Pension Expense

At December 31, 2015, the Borough's liability for its proportionate share of the net pension liability was \$6,977,655. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Borough's proportion 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 members, actuarially determined. At June 30, 2015, the Borough's proportion was 0.041%, which was an increase of 0.001% from its proportion measured as of June 30, 2014. The Borough has rolled forward the net pension liability to December 31, 2015 with no adjustments. The State of New Jersey Police and Fireman's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuations.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$611,917 as of December 31, 2015. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The State's proportionate share of the net pension liability associated with the Borough 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 members, actuarially determined. At June 30, 2015, the State's proportion was 0.105%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014 which is the same proportion as the Borough's. The Borough has rolled forward the net pension liability to December 31, 2015 with no adjustments. The State of New Jersey Police and Fireman's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuations.

Borough's Proportionate Share of the Net Pension Liability	\$ 6,977,655
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>611,917</u>
Total Net Pension Liability	<u><u>\$ 7,589,572</u></u>

For the year ended December 31, 2016, the Borough recognized total pension expense of \$341,641.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.60% - 9.48% based on age
Thereafter	3.60% - 10.48% based on age
Investment Rate of Return	7.90%

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the average of the last five years of contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of December 31, 2015 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2015		
	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 10,005,466	\$ 7,589,572	\$ 5,619,627

Plan Fiduciary Net Position - PFRS

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

Note 6: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough of Mountain Lakes has elected not to defer school taxes.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 7: Accrued Sick and Vacation Benefits

The Borough permits the members of the Police Department to accrue a limited amount of unused vacation pay, which may be taken as time off or paid at a later date at an agreed-upon rate. Officers with at least 15 years of service with the Borough are permitted to bank up to a maximum of 25 Vacation Days. It is estimated that the current cost of such unpaid compensation would approximate \$34,668.56 at December 31, 2016. This amount is not reported either as an expenditure or a liability. As of December 31, 2016, the Borough has a reserve of \$10,000 for future accumulated absences claims.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December.

Comparative Schedule of Tax Rate Information

	2016	2015	2014
<u>Tax Rate</u>	\$ 2.527	\$ 2.468	\$ 2.422
<u>Apportionment of Tax Rate</u>			
Municipal	.513	.492	.475
County	.284	.279	.285
Local School	1.730	1.697	1.662
<u>Assessed Valuations</u>			
2016	\$ 1,193,902,100.00		
2015		\$ 1,189,755,800.00	
2014			\$ 1,188,699,800.00

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 30,310,374.38	\$ 29,893,484.06	98.62%
2015	29,447,982.03	29,200,517.24	99.16%
2014	28,884,232.53	28,715,660.10	99.42%

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 8: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently (Cont'd)

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 9: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below on the following two pages.

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk requires that the Borough ensures that Borough funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Cash and Cash Equivalents and Investments: (Cont'd)

Deposits: (Cont'd)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Borough to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Cash and Cash Equivalents and Investments: (Cont'd)

Investments: (Cont'd)

- (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2016, cash and cash equivalents of the Borough of Mountain Lakes consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Totals</u>
Current	\$ 200.00	\$ 3,308,960.90	\$ 3,309,160.90
Animal Control		837.54	837.54
Other Trust		742,702.66	742,702.66
General Capital		423,412.20	423,412.20
Water Utility Operating		487,662.52	487,662.52
Water Utility Capital		9,047.13	9,047.13
Sewer Utility Operating		97,595.02	97,595.02
Sewer Utility Capital		24,983.78	24,983.78
	<u>\$ 200.00</u>	<u>\$ 5,095,201.75</u>	<u>\$ 5,095,401.75</u>

The Borough did not hold any investments during the year ended December 31, 2016. The carrying amount of the Lakes' cash and cash equivalents at December 31, 2016, was \$5,095,401.75 and the bank balance was \$4,632,171.71.

Note 10: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health Benefits are provided to employees through the State of New Jersey health benefits plan.

The Borough of Mountain Lakes is a member of the Morris County Municipal Joint Insurance Fund ("MCMJIF"). This fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Risk Management (Cont'd)

The following coverages are offered by the MCMJIF to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Public Officials' Liability/Employment Practices Coverage
- f.) Environmental Coverage

As a member of the Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. There is a very narrow possibility that the MCMJIF will impose supplemental assessments. In the twenty-four year history of the MCMJIF, a supplemental assessment has never been declared.

The Funds can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared. The MCMJIF has not declared dividends in the last five years and currently has no intention to reinstate the dividends. The Finance Committee of the MCMJIF has made this recommendation, which is embraced by the full membership.

Selected summarized financial information for the Fund as of December 31, 2016, is as follows:

	Morris County Municipal Joint Insurance Fund
Total Assets	\$ 24,775,454
Net Position	\$ 8,631,831
Total Revenue	\$ 17,370,144
Total Expenses	\$ 17,918,337
Change in Net Position	\$ (548,193)
Members Dividends	\$ -0-

Financial statements for these funds are available at the Office of the Executive Director.

Morris County Municipal Joint Insurance Fund
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054
(201) 881-7632

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

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 the interest earned and the ending balance of the Borough's expendable trust fund for the current year:

<u>Fiscal Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 10,337.89		\$ 20.53	\$ 6,848.49	\$ 12,507.93

Note 11: Contingent Liabilities

The Borough is also periodically involved in various other lawsuits arising in the normal course of business, which often include claims for property damage, personal injury, and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Borough's financial position as of December 31, 2016.

Amounts received or receivable from grantors, principally federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Various tax appeals on assessed valuations have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however the Borough Tax Assessor will aggressively defend the Borough's assessments. If any amount is due, that amount will need to be raised in future budgets to fund the potential liability.

The Borough has been advised that there is a potential liability due to the Township of Parsippany for Sewer Usage fees. However, it is in dispute between the two towns, and therefore no reserve liability has been set up for the current year.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 12: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 355,673.51	\$ 860,613.62
Federal and State Grant Fund	192,049.66	400.00
Animal Control Fund		2,841.00
Other Trust Funds	42,600.00	217,758.59
General Capital Fund	628,283.96	6,842.50
Water Utility Operating Fund		169,701.83
Water Utility Capital Fund	4,880.80	50.00
Sewer Utility Operating Fund	59,791.05	5,000.00
Sewer Utility Capital Fund	5,000.00	379.78
Payroll Agency		149.87
Net Payroll		24,541.79
	<u>\$ 1,288,278.98</u>	<u>\$ 1,288,278.98</u>

The amounts due to or from the current fund and grants are due to the fact that there is no separate grants fund bank account. All other interfunds are due to cash being transferred between accounts. It is anticipated that all other interfunds will be liquidated during the subsequent calendar year.

Note 13: Deferred Compensation

The Borough offers its employees one deferred compensation plan created in accordance with Internal Revenue Code Section 457b. The plan, which are administered by Lincoln National Life Insurance Co. permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 14: Economic Dependency

The Borough of Mountain Lakes receives nominal amount of support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Borough's programs and activities.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 15: Post-Retirement Benefits

In addition to the pension benefits described in Note 5, the Borough provides other post-retirement benefits to certain Borough employees after retirement, substantially similar in nature to the health benefits provided to employees presently working.

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

In accordance with the Borough's resolution, Borough employees are entitled to the following benefits:

The coverage applies to the employee and dependents. In the event of an employee's death, coverage ceases. In order to be eligible for this benefit, the employee must have a minimum of twenty-five (25) years of full-time service in the pension system and ten (10) years of full-time service with the Borough.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget.

For the year ended December 31, 2016, the Borough had 5 retired employees who met post-retirement eligibility requirements for health care benefits and recognized expenses of \$22,678.29. For the year ended December 31, 2015, the Borough had 5 retired employees who met post-retirement eligibility requirements for health care benefits and recognized expenses of \$18,527.98.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 16: Fixed Assets (Unaudited)

The following is a summarization of general fixed assets for the years ended December 31, 2016 and 2015:

	Unaudited Balance Dec. 31, 2015	Additions	Deletions	Unaudited Balance Dec. 31, 2016
Land & Buildings	\$ 130,461,025.24			\$ 130,461,025.24
Machinery and Equipment	1,180,954.45			1,180,954.45
Furniture and Fixtures	4,851,170.48			4,851,170.48
	<u>\$ 136,493,150.17</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 136,493,150.17</u>
	Balance Dec. 31, 2014	Additions	Deletions	Balance Dec. 31, 2015
Land	\$ 130,401,025.24	\$ 60,000.00		\$ 130,461,025.24
Buildings	1,180,954.45			1,180,954.45
Machinery and Equipment	4,819,912.60	31,257.88		4,851,170.48
	<u>\$ 136,401,892.29</u>	<u>\$ 91,257.88</u>	<u>\$ -0-</u>	<u>\$ 136,493,150.17</u>

BOROUGH OF MOUNTAIN LAKES

SUPPLEMENTARY DATA

BOROUGH OF MOUNTAIN LAKES
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2016

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Peter Holmberg	Mayor		
Frank Borin	Deputy Mayor		
William Barrett	Council Member		
Daniel Happer	Council Member		
John Lester	Council Member		
William Albergo	Council Member		
Douglas McWilliams	Council Member		
Richard Sheola	Township Manger/QPA/Treasurer	**	MCM/MEL JIF
Bernard Re	Chief Financial Officer/ Treasurer 1/1 to 5/31	**	MCM/MEL JIF
Monica Goscicki	Chief Financial Officer 6/13 to 12/31	**	MCM/MEL JIF
Michele Reilly	Borough Clerk/Registrar 1/1 to 2/28	**	MCM/MEL JIF
Cara Fox	Acting Clerk/Registrar 3/1 to 3/31	**	MCM/MEL JIF
Valerie A. Egan	Borough Clerk/Registrar 4/1 to 12/31	**	MCM/MEL JIF
Ann Purcell	Tax/Utility Collector	**	MCM/MEL JIF
Cynthia Shaw	Planning Board Secretary	**	MCM/MEL JIF
Robert Oostdyk	Township Attorney		
Gerald Smith	Municipal Court Judge	**	MCM/MEL JIF
Shawn Bennett	Police Chief	**	MCM/MEL JIF
Michael Fitzpatrick	Health Officer	**	MCM/MEL JIF

** There is a Public Employee Blanket Bond for \$1,000,000 covering all municipal employees.

Morris County Municipal Joint Insurance Fund	\$ 50,000
Municipal Excess Liability Joint Insurance Fund	950,000
	<u>\$ 1,000,000</u>

All bonds were examined and were properly executed.

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
CURRENT FUND

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 2,291,443.11
Increased by Receipts:		
Tax Collector		\$ 30,170,357.64
Petty Cash		500.00
Miscellaneous Revenue Not Anticipated		59,475.96
Revenue Accounts Receivable		1,122,870.07
Senior Citizens' and Veterans' Deductions		11,000.00
Appropriation Refunds		214,906.68
Due Federal and State Grant Fund		204,325.31
Due Animal Control Fund		370.00
Due Other Trust Funds		403.24
Due Escrow Funds		36,457.16
Due Police Trust Funds		140,000.00
Due Recreation Trust Funds		17,329.91
Due State Unemployment Insurance		50.00
Due General Capital Fund		167,500.00
Due Sewer Utility Operating Fund		566,238.04
Due Water Utility Operating Fund		3,407.46
Due Payroll Agency Account		245,284.78
Due Net Payroll Account		23.80
Due From Tax Lien Holder		2,458.39
Due to Board of Education		15,484.00
Due to State of New Jersey:		
Uniform Construction Code Fees		10,269.00
Marriage License Fees		230.00
Due to -Mobile Sprint Fees		19,805.07
		<hr/>
		33,008,746.51
		<hr/>
		\$ 35,300,189.62

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF CASH - TREASURER
(Continued)

	<u>Ref.</u>	
Decreased by Disbursements:		
2016 Appropriations	\$ 6,997,686.08	
2015 Appropriation Reserves	302,872.78	
Petty Cash	250.00	
County Taxes	3,393,052.20	
Local School District Taxes	20,650,265.49	
Third Party Tax Title Lien Redemptions	2,767.22	
Due to State of New Jersey:		
Uniform Construction Code Fees	9,585.00	
Marriage License Fees	130.00	
Due to T-Mobile Sprint Fees	19,756.26	
Due Federal and State Grant Fund	24,344.98	
Due Animal Trust Fund	3,343.59	
Due Other Trust Funds	200.22	
Due Developers Escrow	36,509.92	
Due Affordable Housing	132.63	
Due Police Trust	228,267.22	
Due Forfeited	20.98	
Due Shade Tree	17.24	
Due Flex Spending	1,009.54	
Due Recreation	61,774.10	
Due General Capital Fund	17,181.77	
Due Water Utility Operating Fund	51,862.22	
Due Sewer Utility Operating Fund	46,264.49	
Due Payroll Agency	139,292.67	
Due Net Payroll	368.65	
Due to Water Operating/Clearing	1,079.48	
Refund of Prior Year Revenue	<u>3,193.99</u>	
		<u>\$ 31,991,228.72</u>
Balance December 31, 2016	A	<u><u>\$ 3,308,960.90</u></u>

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2016

Increased by Receipts:

Interest and Costs on Taxes	\$ 44,851.96
Taxes Receivable	29,941,287.78
Year End Penalties	16,266.24
Tax Search Fees and Other Fees	447.48
2017 Prepaid Taxes	96,936.41
Tax Overpayments	30,833.96
Tax Sale Premiums	2,500.00
Third-Party Lien Redemptions	37,233.81
	<hr/> 30,170,357.64

Decreased by:

Amount Turned Over to Treasurer	<hr/> <hr/> \$ 30,170,357.64
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BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2015	2016 Levy	Collections		Tax Overpayments Applied	Senior Citizen & Veteran Deductions	Taxes Cancelled	Balance Dec. 31, 2016
			2015	2016				
2015	\$ 217,980.64			\$ 217,685.40			\$ 295.24	\$ -0-
2016		\$ 30,310,374.38	\$ 157,881.68	29,723,602.38	\$ 1,000.00	\$ 11,000.00	36,767.40	380,122.92
Total	<u>\$ 217,980.64</u>	<u>\$ 30,310,374.38</u>	<u>\$ 157,881.68</u>	<u>\$ 29,941,287.78</u>	<u>\$ 1,000.00</u>	<u>\$ 11,000.00</u>	<u>\$ 37,062.64</u>	<u>\$ 380,122.92</u>

Ref.

A

A

Analysis of 2016 Property Tax Levy

Tax Yield:

General Purpose Tax

\$ 30,169,906.91

Added, Omitted and Rollback Taxes

140,467.47\$ 30,310,374.38

Tax Levy:

Local School District Taxes

\$ 20,650,265.00

County Taxes

\$ 3,267,030.61

County Open Space Taxes

116,434.13

County Added & Omitted Taxes

15,786.633,399,251.3724,049,516.37

Local Tax for Municipal Purposes

\$ 6,132,253.28

Add: Additional Tax Levied

128,604.736,260,858.01\$ 30,310,374.38

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2015	Accrued In 2016	Collected by		Balance Dec. 31, 2016
			Collector	Treasurer	
Clerk:					
Licenses:					
Alcoholic Beverage		\$ 16,000.00		\$ 16,000.00	
Other		680.00		680.00	
Fees and Permits		22,571.86		22,571.86	
Planning and Zoning:					
Fees and Permits		19,497.71		19,497.71	
Recreation:					
Fees and Permits		62,428.00		62,428.00	
Tax Collector:					
Fees and Permits		447.48	\$ 447.48		
Municipal Court:					
Fines and Costs		32,619.04		32,619.04	
Interest and Costs on Taxes		61,118.20	61,118.20		
Interest on Investments and Deposits		14,790.94		14,790.94	
Solid Waste Fees- Trash Bags		198,845.50		198,845.50	
Solid Waste Fees- Board of Education		52,721.93		52,721.93	
Energy Receipts Tax		417,293.00		417,293.00	
Uniform Construction Code Official		132,403.00		132,403.00	
Rent from Railroad Station		27,382.08		27,382.08	
Cell Tower Lease:					
T-Mobil/Omnipoint		60,831.88		60,831.88	
Sprint		19,805.13		19,805.13	
Board of Education Field Lease		45,000.00		45,000.00	
	<u>\$ -0-</u>	<u>\$ 1,184,435.75</u>	<u>\$ 61,565.68</u>	<u>\$ 1,122,870.07</u>	<u>\$ -0-</u>

Ref.

A

A

BOROUGH OF MOUNTAIN LAKES
FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

	Balance Dec. 31, 2015	Budget Revenue Realized	Received	Transfer from Unappropriated Reserves	Balance Dec. 31, 2016
Municipal Alliance on Alcohol and Drug Abuse:					
State Share					
2011 and 2012	\$ 11,729.92				\$ 11,729.92
Supplemental Share					
2012	2,500.00				2,500.00
Click it or Ticket it	49.68				49.68
Morris County Historic Preservation Grant	16,000.00				16,000.00
Historic Preservation Grant	3,800.00				3,800.00
Green Communities Grant	3,000.00	\$ 2,250.00			5,250.00
BSF Forestry Grant	1,500.00				1,500.00
Highlands Plan Conformance Grant	39,779.36				39,779.36
Reduction In Speed Grant - 2008	1,649.76				1,649.76
NJ Body Armor Replacement Fund		1,594.52		\$ 1,594.52	
Clean Communities Grant		22,837.58		22,837.58	
Sustainable Jersey Grant		2,000.00		2,000.00	
New Jersey Department of Transportation		240,000.00	\$ 180,000.00		60,000.00
	<u>\$ 80,008.72</u>	<u>\$ 268,682.10</u>	<u>\$ 180,000.00</u>	<u>\$ 26,432.10</u>	<u>\$ 142,258.72</u>
<u>Ref.</u>	A				A

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Balance After Modification	Paid or Charged	Balance Lapsed
General Government:				
Borough Clerk:				
Salaries and Wages	\$ 4,026.14	\$ 4,026.14		\$ 4,026.14
Other Expenses	1,322.33	1,322.33	\$ 1,065.06	257.27
Borough Council:				
Other Expenses	936.34	936.34	442.27	494.07
General Administration:				
Salaries and Wages	3,122.36	3,122.36	3,122.36	
Other Expenses	1,938.48	3,312.48	3,176.39	136.09
Legal Services and Costs:				
Other Expenses	25,343.08	30,343.08	28,960.00	1,383.08
Financial Administration (Treasury):				
Salaries and Wages	3.43	3.43		3.43
Other Expenses	5,291.19	5,291.19	4,041.41	1,249.78
Revenue Administration (Tax Collection):				
Salaries and Wages	811.20	811.20		811.20
Other Expenses	454.78	454.78		454.78
Tax Assessment Administration:				
Salaries and Wages	807.00	807.00		807.00
Other Expenses	384.75	384.75		384.75
Computer Services:				
Other Expenses	4,194.46	4,194.46	3,394.12	800.34
Engineering Services:				
Other Expenses	698.29	5,698.29	5,698.29	
Environmental Commission:				
Other Expenses	3,572.30	3,572.30		3,572.30
Planning and Building:				
Salaries and Wages	663.37	663.37		663.37
Other Expenses	6,004.22	12,004.22	10,011.51	1,992.71
Zoning Board of Adjustment:				
Salaries and Wages	2,983.24	2,983.24		2,983.24
Other Expenses	4,185.14	4,185.14	3,000.00	1,185.14
Contribution to Senior Citizens:				
Other Expenses	2,820.70	2,820.70	100.00	2,720.70
Police:				
Salaries & Wages	10,205.62	1,205.62	1,205.62	
Other Expenses	3,612.37	14,912.37	14,538.58	373.79
Other Expenses	1,500.00	1,500.00		1,500.00
Fire Department:				
Clothing Allowance	7,914.18	7,914.18		7,914.18
Other Expenses	16,938.44	11,438.44	4,328.96	7,109.48

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Balance Dec. 31, 2015	Balance After Modification	Paid or Charged	Balance Lapsed
General Government:				
Office of Fire & Safety:				
Other Expenses	\$ 8,898.75	\$ 8,898.75		\$ 8,898.75
Solid Waste Collection:				
Salaries and Wages	883.11	883.11		883.11
Other Expenses	51,450.84	51,450.84	\$ 51,450.84	
Shade Tree Commission:				
Other Expenses	33,312.00	33,312.00	32,856.32	455.68
Public Building & Grounds:				
Other Expenses	6,092.04	7,592.04	7,592.04	
Road Repairs & Maintenance:				
Salaries and Wages	19,511.88	12,511.88	9,665.91	2,845.97
Other Expenses	14,613.26	29,889.26	27,513.88	2,375.38
Vehicle Maintenance:				
Other Expenses	19,929.39	19,929.39	8,118.17	11,811.22
Board of Health:				
Salaries & Wages	5,000.00	5,000.00		5,000.00
Other Expenses	6,707.50	6,707.50	6,579.00	128.50
Parks & Playgrounds:				
Other Expenses	19,261.65	19,261.65	16,264.90	2,996.75
Recreation:				
Salaries & Wages	5,855.14	5,855.14		5,855.14
Other Expenses	4,329.03	4,329.03		4,329.03
Woodlands Committee:				
Other Expenses	920.00	920.00		920.00
Celebration of Public Events:				
Other Expenses	500.00	500.00		500.00
Accumulated Leave Compensation:				
Salaries and Wages:	10,000.00	10,000.00		10,000.00
Insurance:				
General Liability	8,912.68	26,912.68	20,000.00	6,912.68
Workers Compensation Insurance	3,538.18	3,538.18		3,538.18
Employee Group Health	26,142.73	26,142.73	9,054.95	17,087.78
Unemployment Compensation Insurance	10,000.00	10,000.00	2,393.28	7,606.72
State Uniform Construction Code:				
Salaries and Wages	2.03	2.03		2.03
Other Expenses	1,007.12	1,007.12	183.67	823.45

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
General Government:				
Utility Expenses:				
Electricity	\$ 17,162.31	\$ 17,162.31	\$ 9,169.58	\$ 7,992.73
Telephone	3,087.49	3,087.49		3,087.49
Street Lighting	18,819.55	18,819.55	7,992.73	10,826.82
Gasoline	36,260.41	12,310.41	3,731.69	8,578.72
Public Employees' Retirement System	35,523.08	17,523.08	711.58	16,811.50
Social Security	108.85	108.85	108.85	
Operations Excluded from "CAP":				
Other expenses:				
Length of Service Award Program	18,000.00	18,000.00	17,250.00	750.00
Maintenance of Library	0.08	0.08		0.08
Recycling Tax	1,589.95	1,589.95	650.82	939.13
Denville Township Court Services	12.00	12.00		12.00
County of Morris Dispatch Service	1,249.97	1,249.97		1,249.97
	<u>\$ 498,414.43</u>	<u>\$ 498,414.43</u>	<u>\$ 314,372.78</u>	<u>\$ 184,041.65</u>

Balance December 31, 2015:

	<u>Ref.</u>	
Unencumbered	A	\$ 302,955.12
Encumbered	A	<u>195,459.31</u>
		<u>\$ 498,414.43</u>

Cash Disbursed	\$ 302,872.78
Accounts Payable	<u>11,500.00</u>
	<u>\$ 314,372.78</u>

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>		
Balance December 31, 2015	A	\$	0.49
Increased by:			
Levy - Calendar Year 2016			20,650,265.00
			<u>20,650,265.49</u>
Decreased by:			
Payments to Board of Education			20,650,265.49
			<u>20,650,265.49</u>
Balance December 31, 2016	A	\$	<u><u>-0-</u></u>

BOROUGH OF MOUNTAIN LAKES
FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance Dec. 31, 2015	Transfer from Current Fund Budget	Expended	Encumbered	Adjustments	Balance Dec. 31, 2016
Municipal Alcohol Education & Rehabilitation Grant	\$ 3,679.58					\$ 3,679.58
Drunk Driving Enforcement Fund	5,121.20					5,121.20
Clean Communities Program	3,641.48	\$ 22,837.58	\$ 4,962.81			21,516.25
Municipal Drug Alliance - Supplemental	2,500.00					2,500.00
Municipal Drug Alliance - Match	16,796.98					16,796.98
Body Armor Replacement Fund	6,826.86	1,596.57	7,040.00		\$ 2.05	1,381.38
Click It or Ticket It	7,858.00					7,858.00
Community Forestry Grant	3,000.00					3,000.00
Green Communities Grant	3,000.00	2,250.00				5,250.00
BSF Forestry Grant	1,500.00					1,500.00
Highlands Plan Conformance Grant	5,946.06					5,946.06
Reduction in Speed Grant- 2008	607.33					607.33
Bulletproof Vest Program- Federal - 2004	92.30					92.30
Office of Emergency Management - 2004	2,405.72					2,405.72
Sustainable Jersey Grant	2,000.00	2,000.00	2,000.00			2,000.00
New Jersey Department of Transportation		240,000.00	10,342.17	\$ 229,657.83		
	<u>\$ 64,975.51</u>	<u>\$ 268,684.15</u>	<u>\$ 24,344.98</u>	<u>\$ 229,657.83</u>	<u>\$ 2.05</u>	<u>\$ 79,654.80</u>
Ref.	A			A		A
Unencumbered	A \$ 64,712.67					
Encumbered	A 262.84					
	<u>\$ 64,975.51</u>					

BOROUGH OF MOUNTAIN LAKES
FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2015	Cash Received	Transferred to 2016 Budget Revenue	Adjustment	Balance Dec. 31, 2016
Municipal Alcohol Education & Rehabilitation Program	\$ 472.35	\$ 302.16			\$ 774.51
Drunk Driving Enforcement Funds	75.00			\$ 75.00	
NJ Body Armor Replacement Fund	1,594.52	1,542.58	\$ 1,594.52		1,542.58
Recycling Tonnage Grant	13,830.04	8,448.62			22,278.66
Clean Communities	10,653.58	12,184.00	22,837.58		
Sustainable New Jersey Grant		2,000.00	2,000.00		
	<u>\$ 26,625.49</u>	<u>\$ 24,477.36</u>	<u>\$ 26,432.10</u>	<u>\$ 75.00</u>	<u>\$ 24,595.75</u>
<u>Ref.</u>	A				A

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
TRUST FUNDS

BOROUGH OF MOUNTAIN LAKES
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2015	B	\$ 284.88	\$ 570,494.16
Increased by Receipts:			
Animal Control Dog License Fees		\$ 6,634.29	
Cat License Fees		1,714.00	
Late and Replacement Fees		883.00	
State Registration Fees		622.80	
Due Current Fund		3,343.59	
Due to Current Fund:			
COAH			\$ 132.63
Shade Tree			17.24
Flex Spending			1,009.54
Recreation			45,622.28
Other Trust			1,710.22
Developers Escrow			327.42
Police-Forfeited			20.98
Police-Outside Detail			228,267.22
Developer's Escrow			179,367.73
Unemployment Compensation Insurance			10,357.91
Interfund Returned			0.51
Flexible Spending			18,718.16
Shade Tree Trust			300.00
Recreation Trust			309,056.22
Reserve For :			
POAA			190.69
Fire Prevention Fees			3,083.90
Tax Sale Premiums			1,000.00
Other Trust			25,297.51
Accumulated Absences			10,000.00
		<u>13,197.68</u>	<u>834,480.16</u>
		13,482.56	1,404,974.32

BOROUGH OF MOUNTAIN LAKES
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:			
Animal Control Expenditures		\$ 11,401.31	
Due State of New Jersey		1,243.20	
Due State Unemployment Insurance Fund		0.51	
Due Current Fund			\$ 141,492.34
Developer's Escrow			209,752.35
Unemployment Compensation Insurance			6,798.49
Flexible Spending			21,080.30
Recreation Trust			279,923.18
Reserve for:			
Fire Prevention Fees			25.00
Tax Sale Premiums			1,700.00
Municipal Alliance			1,500.00
		<u>\$ 12,645.02</u>	<u>\$ 662,271.66</u>
Balance December 31, 2016	B	<u>\$ 837.54</u>	<u>\$ 742,702.66</u>

BOROUGH OF MOUNTAIN LAKES
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance/(Deficit) December 31, 2015	B	\$	(205.84)
Increased by:			
Dog License Fees Collected		\$	6,634.29
Due From Current Fund			370.00
Cat License Fees Collected			1,714.00
Late, Adoption and Replacement Fees			883.00
Deferred Charge - Deficit			2,005.86
			<u>11,607.15</u>
			<u>11,401.31</u>
Decreased by:			
Expenditures Under R.S. 4:19-15.11			<u>11,401.31</u>
Balance December 31, 2016	B	\$	<u><u>0.00</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2014	\$ 10,627.93
2015	<u>9,783.40</u>
Maximum Allowable Reserve	<u><u>\$ 20,411.33</u></u>

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
GENERAL CAPITAL FUND

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 254,004.74
Increased by Receipts:		
Current Fund Appropriations:		
Capital Improvement Fund	\$ 113,445.00	
Deferred Charges to Future Taxation Unfunded	135,000.00	
Bond Anticipation Notes Issued	2,214,000.00	
Due to Current Fund	1,500.20	
Refund of Improvement Authorization	2,500.00	
		<u>2,466,445.20</u>
		2,720,449.94
Decreased by Disbursements:		
Bond Anticipation Notes Matured	1,640,726.00	
Improvement Authorization Expenditures	437,547.52	
Encumbrances Paid	218,764.22	
		<u>2,297,037.74</u>
Balance December 31, 2016	C	<u>\$ 423,412.20</u>

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance (Deficit) Dec. 31, 2015	Receipts			Disbursements			Transfers		Balance (Deficit) Dec. 31, 2016
		Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
Fund Balance	\$ 51.88								\$ 4,392.00	\$ 4,443.88
Capital Improvement Fund	26,714.91	\$ 113,445.00						\$ 113,420.00		26,739.91
Due Current Fund	(476,040.73)			\$ 1,500.20				167,500.00	15,681.57	(626,358.96)
Federal and State Aid Receivable	(131,046.59)							160,000.00	251,046.59	(40,000.00)
Due Sewer Utility Operating Fund									6,842.50	6,842.50
Due Other Trust Funds	(1,925.00)									(1,925.00)
Reserve for Encumbrances	223,156.22						\$ 218,764.22	4,392.00	416,492.91	416,492.91
Reserve for Defibrillator	834.23									834.23
Ord. Number	Improvement Description									
06-11	Various Capital Improvements							83,546.59		(83,546.59)
17-12	Various Capital Improvements	147,532.64			\$ 4,579.20			9,758.25		133,195.19
01-13	Various Capital Improvements	88,860.02	62,674.00	\$ 488,630.00	76,040.96	\$ 551,304.00				12,819.06
06-14	Various Capital Improvements	168,628.71	72,326.00	565,846.00	2,500.00	86,797.18	638,172.00			84,331.53
07-15	Various Capital Improvements	193,551.45		432,250.00		17,878.65	432,250.00	57,675.94		117,996.86
09-15	Various Capital Improvements	13,687.00		19,000.00		6,324.67	19,000.00			7,362.33
06-16	Various Capital Improvements			708,274.00		245,926.86		371,582.79	273,420.00	364,184.35
	\$ 254,004.74	\$ 248,445.00	\$ 2,214,000.00	\$ 4,000.20	\$ 437,547.52	\$ 1,640,726.00	\$ 218,764.22	\$ 967,875.57	\$ 967,875.57	\$ 423,412.20

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Funded by Budget Appropriation	Grant Receivable Cancelled	Balance Dec. 31, 2016	Analysis of Balance Dec. 31, 2016		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
06-11	Various Capital Improvements				\$ 83,546.59	\$ 83,546.59		\$ 83,546.59	
01-13	Various Capital Improvements	\$ 551,304.00		\$ 62,674.00		488,630.00	\$ 488,630.00		
06-14	Various Capital Improvements	638,172.00		72,326.00		565,846.00	565,846.00		
07-15	Various Capital Improvements	451,250.00				451,250.00	432,250.00		\$ 19,000.00
09-15	Various Capital Improvements	19,000.00				19,000.00	19,000.00		
06-16	Various Capital Improvements		\$ 2,154,980.00			2,154,980.00	708,274.00		1,446,706.00
		<u>\$ 1,659,726.00</u>	<u>\$ 2,154,980.00</u>	<u>\$ 135,000.00</u>	<u>\$ 83,546.59</u>	<u>\$ 3,763,252.59</u>	<u>\$ 2,214,000.00</u>	<u>\$ 83,546.59</u>	<u>\$ 1,465,706.00</u>

Ref.

C

C

Analysis of Unexpended Improvement Authorizations:

Improvement Authorizations - Unfunded

\$ 2,052,400.13

Less: Unexpended Proceeds of Bond Anticipation Notes Issued:

Ordinance 1-13

12,819.06

Ordinance 6-14

84,331.53

Ordinance 7-15

117,996.86

Ordinance 9-15

7,362.33

Ordinance 6-16

364,184.35

586,694.13\$ 1,465,706.00

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2015		2016 Authorizations		Paid or Charged	Balance Dec. 31, 2016	
						Funded by Various Sources	Deferred Charges to Future Taxation- Unfunded		Funded	Unfunded
		Date	Amount	Funded	Unfunded					
17-12	Various Capital Improvements:	09/10/12	\$ 597,000.00	\$ 147,532.64				\$ 14,337.45	\$ 133,195.19	
01-13	Various Capital Improvements:	05/13/13	342,800.00		\$ 88,860.02			76,040.96		\$ 12,819.06
06-14	Various Capital Improvements:	06/23/14	932,400.00		168,628.71			84,297.18		84,331.53
07-15	Various Capital Improvements:	06/22/15	475,000.00	3,035.40	209,516.05			75,554.59		136,996.86
09-15	Various Capital Improvements	08/24/15	20,000.00		13,687.00			6,324.67		7,362.33
06-16	Various Capital Improvements	06/13/16	2,428,400.00			\$ 273,420.00	\$ 2,154,980.00	617,509.65		1,810,890.35
				<u>\$ 150,568.04</u>	<u>\$ 480,691.78</u>	<u>\$ 273,420.00</u>	<u>\$ 2,154,980.00</u>	<u>\$ 874,064.50</u>	<u>\$ 133,195.19</u>	<u>\$ 2,052,400.13</u>
				C	C				C	C
				Capital Improvement Fund		\$ 113,420.00				
				New Jersey Department of Transportation		160,000.00				
						<u>\$ 273,420.00</u>				
						Cash Disbursed		\$ 437,547.52		
						Current Year Encumbrances		416,492.91		
						Due To Sewer Utility Operating Fund		6,842.50		
						Due To Current Fund		15,681.57		
								<u>\$ 876,564.50</u>		
						Less: Refunds		2,500.00		
								<u>\$ 874,064.50</u>		

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 26,714.91
Increased By:		
Current Fund Budget Appropriation		<u>113,445.00</u>
		140,159.91
Decreased By:		
Appropriated to Finance Improvement Authorizations		<u>113,420.00</u>
Balance December 31, 2016	C	<u><u>\$ 26,739.91</u></u>

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Improvement Description	Date of			Interest Rate	Balance Dec. 31, 2015	Issued	Matured	Balance Dec. 31, 2016
		Original Issue	Issue	Maturity					
01-13	Various Capital Improvements	05/13/13	08/13/15 08/11/16	08/12/16 08/10/17	0.68% 0.82%	\$ 551,304.00	\$ 488,630.00	\$ 551,304.00	\$ 488,630.00
06-14	Various Capital Improvements	06/23/14	08/13/15 08/11/16	08/12/16 08/10/17	0.68% 0.82%	638,172.00	565,846.00	638,172.00	565,846.00
07-15	Various Capital Improvements	06/22/15	08/13/15 08/11/16	08/12/16 08/10/17	0.68% 0.82%	432,250.00	432,250.00	432,250.00	432,250.00
09-15	Various Capital Improvements	06/22/15	08/13/15 08/11/16	08/12/16 08/10/17	0.68% 0.82%	19,000.00	19,000.00	19,000.00	19,000.00
06-16	Various Capital Improvements	06/13/16	08/11/16	08/10/17	0.82%		708,274.00		708,274.00
						<u>\$ 1,640,726.00</u>	<u>\$ 2,214,000.00</u>	<u>\$ 1,640,726.00</u>	<u>\$ 2,214,000.00</u>
					<u>Ref.</u>	C			C
				Renewals			\$ 1,505,726.00	\$ 1,505,726.00	
				New Issues			708,274.00		
				Paid by Budget Appropriation				135,000.00	
							<u>\$ 2,214,000.00</u>	<u>\$ 1,640,726.00</u>	

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Matured	Balance Dec. 31, 2016
			December 31, 2016					
			Date	Amount				
General Improvements	09/01/07	\$ 2,101,000.00	09/01/17	\$ 200,000.00	4.00%	\$ 1,000,000.00	\$ 200,000.00	\$ 800,000.00
			09/01/18	200,000.00	4.00%			
			09/01/19	200,000.00	4.00%			
			09/01/20	200,000.00	4.00%			
General Improvement Refunding	11/20/07	2,915,000.00	07/15/17	205,000.00	4.00%	1,395,000.00	200,000.00	1,195,000.00
			07/15/18	200,000.00	4.00%			
			07/15/19	200,000.00	4.00%			
			07/15/20	200,000.00	4.00%			
			07/15/21	195,000.00	4.00%			
			07/15/22	195,000.00	4.00%			
General Improvement Refunding	12/30/09	2,965,000.00	11/15/17	280,000.00	5.00%	1,400,000.00	280,000.00	1,120,000.00
			11/15/18	280,000.00	5.00%			
			11/15/19	280,000.00	5.00%			
			11/15/20	280,000.00	5.00%			
General Improvements	01/29/13	3,035,000.00	01/15/17	190,000.00	5.00%	2,570,000.00	190,000.00	2,380,000.00
			01/15/18	195,000.00	5.00%			
			01/15/19	200,000.00	5.00%			
			01/15/20	200,000.00	5.00%			
			01/15/21	355,000.00	5.00%			
			01/15/22	285,000.00	5.00%			
			01/15/23	315,000.00	5.00%			
			01/15/24	320,000.00	5.00%			
			01/15/25	320,000.00	5.00%			
						<u>\$ 6,365,000.00</u>	<u>\$ 870,000.00</u>	<u>\$ 5,495,000.00</u>
Ref.						C		C

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Bond Anticipation Notes Issued	Cancellation of Grant Receivable	Balance Dec. 31, 2016
06-11	Various Capital Improvements				\$ 83,546.59	\$ 83,546.59
07-15	Various Capital Improvements	\$ 19,000.00				19,000.00
06-16	Various Capital Improvements		\$ 2,154,980.00	\$ 708,274.00		1,446,706.00
		<u>\$ 19,000.00</u>	<u>\$ 2,154,980.00</u>	<u>\$ 708,274.00</u>	<u>\$ 83,546.59</u>	<u>\$ 1,549,252.59</u>

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
WATER UTILITY FUND

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2015	D	\$ 830,678.00	\$ 9,011.02
Increased by Receipts:			
Consumer Accounts Receivable		\$ 828,764.09	
Miscellaneous Revenue		39,220.32	
Appropriation Refunds		5,187.22	
Due Clearing Fund		13,299.94	
Due Water Utility Operating Fund:			
Interest Earned		1,992.56	\$ 36.11
Due Sewer Utility Operating Fund		799,503.15	
Due Payroll Account		13,625.73	
		<u>1,701,593.01</u>	<u>36.11</u>
		2,532,271.01	9,047.13
Decreased by Disbursements:			
2016 Appropriation Expenditures		667,056.92	
2015 Appropriation Reserves		45,325.19	
Due Current Fund		27,110.05	
Due Clearing Fund		12,220.46	
Due Sewer Utility Operating Fund		1,292,895.87	
		<u>2,044,608.49</u>	
Balance December 31, 2016	D	<u>\$ 487,662.52</u>	<u>\$ 9,047.13</u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
ANALYSIS OF WATER CAPITAL CASH

	Balance/ (Deficit) Dec. 31, 2015	Miscellaneous	Balance/ (Deficit) Dec. 31, 2016
Fund Balance	\$ 649.72		\$ 649.72
Capital Improvement Fund	13,228.21		13,228.21
Due to Water Utility Operating Fund	(4,916.91)	\$ 36.11	(4,880.80)
Due to Current Fund	50.00		50.00
	<u>\$ 9,011.02</u>	<u>\$ 36.11</u>	<u>\$ 9,047.13</u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2015	D	\$ 30,290.64
Increased by:		
Water Rents Levied		<u>841,664.36</u>
		871,955.00
Decreased by:		
Water Collections		<u>828,764.09</u>
Balance December 31, 2016	D	<u>\$ 43,190.91</u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2015	Additions By		Balance Dec. 31, 2016
		Budget Capital Outlay	Capital Ordinance	
Organization and Intangible Costs	\$ 2,539.92			\$ 2,539.92
Pumping System	11,044.28			11,044.28
Storage Reservoir, Land	4,798.81			4,798.81
Other Distribution System, Land	1,000.00			1,000.00
Springs, Well and Collection Reservoirs	150,743.31			150,743.31
Aeration and Chemical Treatment Plant	5,916.89			5,916.89
Pumping Station Structures	44,839.27			44,839.27
Electric Power Pumping Equipment	109,957.25			109,957.25
Transmission Mains and Accessories	53,098.59	\$ 7,378.00		60,476.59
Storage Reservoir, Tanks and Stand Pipe	164,439.66			164,439.66
Distribution Mains and Accessories	655,122.86			655,122.86
Service Pipes and Stops	28,643.58			28,643.58
Meters, Meter Boxes and Vaults	109,705.07			109,705.07
Fire Hydrants and First Cisterns	34,571.28			34,571.28
General Structures	7,005.08			7,005.08
General Equipment	190,622.91			190,622.91
Backhoe/Tractor	61,772.00			61,772.00
Pneumatic Torpedo	4,000.00			4,000.00
Pneumatic Tools	4,025.41			4,025.41
Trash Dump	5,100.00			5,100.00
Vehicles	49,752.96			49,752.96
Sewer Jet Truck	19,790.00			19,790.00
Water Flowmeter	480.00			480.00
Sewer Jet	17,428.21			17,428.21
Water Pump	4,750.00			4,750.00
Drain Valve	8,128.00			8,128.00
	<u>\$ 1,749,275.34</u>	<u>\$ 7,378.00</u>	<u>\$ -0-</u>	<u>\$ 1,756,653.34</u>
	D			D

Appropriation Reserves \$ 7,378.00

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY OPERATING FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 1,009.62	\$ 1,009.62	\$ 500.00	\$ 509.62
Other Expenses	59,358.77	59,358.77	52,256.14	7,102.63
Capital Improvements:				
Capital Outlay	15,000.00	15,000.00	7,378.00	7,622.00
Statutory Expenditures:				
Contribution to:				
Social Security System	40.24	40.24		40.24
Public Employees Retirement System	7,176.92	7,176.92		7,176.92
	<u>\$ 82,585.55</u>	<u>\$ 82,585.55</u>	<u>\$ 60,134.14</u>	<u>\$ 22,451.41</u>

Analysis of Balance December 31, 2015

	<u>Ref.</u>		
Encumbered	D	\$ 43,342.89	
Unencumbered	D	<u>39,242.66</u>	
		<u>\$ 82,585.55</u>	
		Cash Disbursed	\$ 45,325.19
		Budget Charges:	
		Due to Current Fund	<u>14,808.95</u>
			<u>\$ 60,134.14</u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	D	<u>\$ 13,228.21</u>
Balance December 31, 2016	D	<u><u>\$ 13,228.21</u></u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2015	D	\$ 1,749,275.34
Increased by:		
Capital Outlay Expenditures		<u>7,378.00</u>
Balance December 31, 2016	D	<u><u>\$ 1,756,653.34</u></u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2016
SEWER UTILITY FUND

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2015	E	\$ 120,051.32	\$ 24,884.05
Increased by Receipts:			
Sewer Utility Rents		\$ 715,006.15	
Miscellaneous Sewer Fees		88,915.88	
Interest on Investments		635.98	\$ 99.73
Due Water Utility Operating Fund:			
Interfund Returned		493,392.72	
Due Payroll Agency Account		14,241.12	
		<u>1,312,191.85</u>	<u>99.73</u>
		1,432,243.17	24,983.78
Decreased by Disbursements:			
2016 Budget Appropriations		755,623.40	
2015 Appropriation Reserves		32,761.71	
Due Current Fund		539,420.54	
Due From General Capital Fund		6,842.50	
		<u>1,334,648.15</u>	
Balance December 31, 2016	E	<u>\$ 97,595.02</u>	<u>\$ 24,983.78</u>

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
ANALYSIS OF SEWER CAPITAL CASH

	Balance/ (Deficit) Dec. 31, 2015	Miscellaneous	Balance/ (Deficit) Dec. 31, 2016
Capital Improvement Fund	\$ 24,050.00		\$ 24,050.00
Due Current Fund	50.00		50.00
Due Sewer Utility Operating Fund	(4,769.95)	\$ 99.73	(4,670.22)
Ord. No. <u>Improvement Description</u>			
11-05 Various Improvements	<u>5,554.00</u>		<u>5,554.00</u>
	<u>\$ 24,884.05</u>	<u>\$ 99.73</u>	<u>\$ 24,983.78</u>

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2015	Sewer Billings Levied	Collections	Balance Dec. 31, 2016
Rents	\$ 30,589.20	\$ 721,695.54	\$ 715,006.15	\$ 37,278.59
Miscellaneous		88,915.88	88,915.88	
	<u>\$ 30,589.20</u>	<u>\$ 810,611.42</u>	<u>\$ 803,922.03</u>	<u>\$ 37,278.59</u>

Ref.

E

E

Miscellaneous Revenue Anticipated:

Interest on Sewer Rents	\$ 18,915.88
Sewer Tap/Connection Fees	<u>70,000.00</u>
	<u>\$ 88,915.88</u>

BOROUGH OF MOUNTAIN LAKES
SEWER ASSESSMENT TRUST FUND
SCHEDULE OF PROSPECTIVE ASSESSMENTS RAISED BY UTILITY REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER ASSESSMENT TRUST FUND
SCHEDULE OF UTILITY SHARE OF SEWER ASSESSMENT BONDS ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER ASSESSMENT TRUST FUND
SCHEDULE OF AMOUNT TO BE RAISED BY FUTURE REVENUE FOR CANCELLED ASSESSMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2015	Balance Dec. 31, 2016
General Equipment	\$ 64,471.40	\$ 64,471.40
Vehicles	46,924.56	46,924.56
Sewer Jet	68,276.80	68,276.80
Sewer Camera	8,211.60	8,211.60
	<u>\$ 187,884.36</u>	<u>\$ 187,884.36</u>

Ref.

E

E

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ord. No.	Improvement Description	Ordinance		Balance	
		Date	Amount	Dec. 31, 2015	Dec. 31, 2016
11-05	Various Improvements	6/27/05	\$ 12,950.00	\$ 5,554.00	\$ 5,554.00
				<u>\$ 5,554.00</u>	<u>\$ 5,554.00</u>
			<u>Ref.</u>	E	E

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 59,979.85	\$ 59,979.85	\$ 21,812.21	\$ 38,167.64
Other Expenses	10,146.31	10,146.31	10,146.31	
Statutory Expenditures:				
Contribution to:				
Public Employees Retirement System	137.85	137.85		137.85
Social Security System (OASI)	3,371.48	3,371.48		3,371.48
	<u>\$ 73,635.49</u>	<u>\$ 73,635.49</u>	<u>\$ 31,958.52</u>	<u>\$ 41,676.97</u>

Ref.

Balance December 31, 2015

Unencumbered	E	\$ 42,903.98
Encumbered	E	<u>30,731.51</u>
		<u>\$ 73,635.49</u>

Cash Disbursed	\$ 32,761.71
Due From Current Fund:	
Refunds	<u>(803.19)</u>
	<u>\$ 31,958.52</u>

BOROUGH OF MOUNTAIN LAKES
SEWER ASSESSMENT TRUST FUND
SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2015		2016 Authorizations	Paid or Charged	Balance December 31, 2016	
		Date	Amount	Funded	Unfunded	Deferred Charges to Future Revenue		Funded	Unfunded
<u>General Improvements:</u>									
11-05	Various Improvements	6/27/05	\$ 12,950.00	\$ 5,554.00				\$ 5,554.00	
				\$ 5,554.00	\$ -0-	\$ -0-	\$ -0-	\$ 5,554.00	\$ -0-
				<u>Ref.</u>	E	E		E	E

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	E	<u>\$ 24,050.00</u>
Balance December 31, 2016	E	<u><u>\$ 24,050.00</u></u>

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2015	E	<u>\$ 187,884.36</u>
Balance December 31, 2016	E	<u><u>\$ 187,884.36</u></u>

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Amount of Ordinance	Balance Dec. 31, 2015	Transferred to Reserve for Amortization	Balance Dec. 31, 2016
11-05	Various Improvements	06/27/05	\$ 12,950.00	\$ 5,554.00		\$ 5,554.00
				<u>\$ 5,554.00</u>	<u>\$ -0-</u>	<u>\$ 5,554.00</u>
			<u>Ref.</u>	E		E

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2016

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Name of Federal Agency or Department/Cluster Title	Name of Program	C.F.D.A. Number	Pass Through Entity ID	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Transportation	Glenn Road and Kenilworth Road Resurfacing - 2014	20.205	066-1160-100- 157-031020	01/01/14	12/31/14	\$ 190,000.00	\$ 47,500.00		\$ 190,000.00	
(Passed through New Jersey Department of Transportation)	Dartmouth Road & Midvale Road Section 1 - 2015	20.205	066-1160-100- 157-031020	01/01/16	12/31/16	160,000.00	120,000.00		160,000.00	
	Lake Drive Resurfacing	20.205	066-1160-100- 157-031020	01/01/16	12/31/17	240,000.00	<u>180,000.00</u>	<u>\$ 10,342.17</u>	<u>10,342.17</u>	
Total - New Jersey Department of Transportation							<u>347,500.00</u>	<u>10,342.17</u>	<u>360,342.17</u>	
TOTAL FEDERAL AWARDS							<u>\$ 347,500.00</u>	<u>\$ 10,342.17</u>	<u>\$ 360,342.17</u>	<u>\$ -0-</u>

N/A - Not Available

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Law and Public Safety	NJ Body Armor Replacement Fund	1020-718-066-1020- 100-YCJS-6120	1/1/15	12/31/16	\$ 8,421.38		\$ 6,826.86	\$ 8,421.38
	NJ Body Armor Replacement Fund	4900-765-178900-60	1/1/16	12/31/17	1,596.57	\$ 1,542.58	213.14	213.14
Total - Department of Law and Public Safety						1,542.58	7,040.00	8,634.52
Department of Environmental Protection	Clean Communities	4900-765-178900-60	1/1/15	12/31/17	22,679.48		3,641.48	12,288.74
	Clean Communities	4900-765-178900-60	1/1/16	12/31/17	22,837.58	12,184.00	3,291.33	3,291.33
	Recycling Tonnage Grant	4900-752-042-4900- 001-V42Y-6020	1/1/16	12/31/17	8,448.62	8,448.62		
	BSF Forestry Grant	N/A	1/1/16	12/31/17	7,000.00			5,500.00
	Sustainable Jersey Grant	N/A	1/1/15	12/31/17	2,000.00		1,100.00	1,100.00
	Sustainable Jersey Grant	N/A	1/1/16	12/31/17	2,000.00	2,000.00		
Total - Department of Environmental Protection						22,632.62	8,032.81	22,180.07
TOTAL STATE AWARDS						\$ 24,175.20	\$ 15,072.81	\$ 30,814.59

N/A - Not Available

BOROUGH OF MOUNTAIN LAKES
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Mountain Lakes under programs of the federal and state governments for the year ended December 31, 2016. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

A. Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Borough has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

B. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



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

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Mountain Lakes

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Mountain Lakes, in the County of Morris (the "Borough") as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated April 3, 2017. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2016-01 and 2016-02, which we consider to be significant deficiencies.

The Honorable Mayor and Members
of the Borough Council
Borough of Mountain Lakes

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Borough's Responses to the Findings

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

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 result of that testing, and not to provide an opinion on the effectiveness of the Borough'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 3, 2017
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' 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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2016 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2016-1

Segregation of Duties

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The Chief Financial Officer reviews and approves disbursements of funds, general ledger, and payroll and reconciles the bank accounts for the respective funds or accounts. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. Accordingly, management and the Borough Council should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

The Borough's segregation of duties finding has been evaluated and steps have been taken to insure alternate methods of internal reviews are being performed, The Borough Manager reviews all outgoing payments before checks are issued and reviews all purchase orders before being encumbered.

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2016-02

The Borough has a fixed asset accounting and reporting system in place. However, the fixed assets accounting records are not adequately maintained as the fixed asset accounting records have not been updated for additions or deletions. This is due, in part, to the limited number of personnel and size of the Borough. Improvement is necessary to be in complete compliance with the New Jersey Administrative Code Accounting Requirements.

Management's Response

The finding was evaluated, and a contract has been authorized to do a Fixed Asset Inventory.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

BOROUGH OF MOUNTAIN LAKES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Status of Prior Year Findings:

There were no prior year findings.

BOROUGH OF MOUNTAIN LAKES
PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS

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

N.J.S.A. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 for a contracting unit without a qualified purchasing agent and \$40,000 for a contracting unit with a qualified purchasing agent.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold 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 indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" and "Extraordinary Unspecifiable Services" per N.J.S.A. 40A:11-5.

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. Our review revealed that Borough did not maintain the required Bid documents for a particular vendor.

Recommendation:

It is recommended that Local Public Contract Law be adhered to in all cases.

Management's Response:

The Borough will ensure that required bid documents are maintained in order to demonstrate compliance with the Local Public Contracts Law N.J.S.A. 52:32-44 and N.J.S.A. 19:44A-20.4.

Collection of Interest on Delinquent Taxes, Assessments and Utility Charges

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes on or before the date when they would become delinquent. On January 4, 2016, the governing body adopted a resolution authorizing interest to be charged at the rate of 8% per annum on the first \$1,500 of delinquent taxes and 18% per annum for delinquent taxes in excess of \$1,500, and allows an additional penalty of 6% be collected against a delinquency in excess of \$10,000 on properties that fail to pay the delinquency prior to the end of the calendar year.

On January 4, 2016, the governing body adopted a resolution authorizing interest to be charged at the rate of 8% per annum of delinquent utility charges. It allows for a grace period of 30 days for payment of the utilities bills.

It appears from an examination of the Tax Collector's and Utility Collector's records that interest was generally collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 7, 2016, and was complete.

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

<u>Year</u>	<u>Number of Liens</u>
2016	0
2015	0
2014	0

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2016 Taxes	20
Payments of 2017 Taxes	20
Delinquent Taxes	15
Payments of Water Utility Charges	15
Delinquent Water Utility Charges	15
Payments of Sewer Utility Charges	15
Delinquent Sewer Utility Charges	15

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting and recording system.

The Borough is in compliance with the New Jersey Administrative Code accounting requirements at December 31, 2016, except for the fixed assets records as more fully described in the preceding Schedule of Findings and Responses.

Accounting Procedures:

During the course of our audit testing, we noted a few instances where purchases were made prior to the preparation and approval of purchase orders.

Recommendation:

It is recommended that purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Management's Response:

All purchase orders will be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Tax Collector

A review of the Tax Collector's cashbook and reconciliation with the Treasurer's records revealed that amounts being reported to the Treasurer are not always in agreement with the amounts recorded in the Tax Collector's cashbook. It was also noted that there is a large tax overpayment balance at year end.

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Tax Collector (Cont'd)

Recommendation:

It is recommended that the Chief Financial Officer and the Tax Collector reconcile all receipts on a monthly basis and reconciling differences are addressed in a timely manner. It is also recommended that the tax overpayments be reviewed and be refunded, applied to current year taxes, or cancelled through resolution.

Management's Response:

The Chief Financial Officer and Tax Collector have initiated a monthly review of all accounts so that overpayments can be addressed on a timely manner and have begun a monthly review of all accounts for all receipts and reconciling items.

A review of the individual water and tax accounts revealed that payments/adjustments were not being posted correctly and in a timely manner. As a result, this caused individual water accounts to show delinquent balances, and tax balances to show overpayments that were not correct.

Recommendation:

It is recommended that the Tax/Water Collector post and make adjustments appropriately in a timely manner.

Management's Response:

The Tax/Water Collector and the Chief Financial Officer have initiated a process to ensure that adjustments and postings are made in a timely manner.

Bank Reconciliations

Our examination of the various bank reconciliations of the Borough revealed that certain accounts were not reconciled on a timely basis, and that there were several funds that had reconciling items and outstanding checks in excess of one year.

Recommendation:

It is recommended that the Borough's bank reconciliations be reviewed to ensure that all reconciling items are cleared, and that bank reconciliations are prepared on a timely basis.

Management's Response:

Administration will clear any reconciling items that are over a year old, and all accounts are now being reconciled timely.

Interfunds

Our review of the balance sheets of the various funds of the Borough revealed a large number of interfunds at year end.

Recommendation

It is recommended that all interfunds be liquidated at year end and that every effort should be made to limit and control the number of interfund transactions in the future.

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Interfunds (Cont'd)

Management Response:

Administration will ensure that interfunds are reviewed and liquidated by mid-year and that the number of interfund transactions will be limited and controlled in the future.

Payroll Fund

Our review of the payroll records revealed that overtime payments were not always supported by an approval of a department supervisor.

Recommendation

It is recommended that payroll documentation is obtained and maintained for overtime.

Management Response:

Steps have been taken to ensure that all necessary approvals and department head signatures and supporting documentation will be obtained for payroll overtime.

Outside Offices:

During the course of our audit it was found that the Construction Department receipts are not being turned over and deposited within forty-eight hours. It was noted that the police department does not keep a cash book of the funds received. Therefore, we were unable to determine completeness of our testing. It was also noted that the Recreation and Clerk Departments were not keeping a cashbook in the beginning of the year. However, midway through the year they began to keep track of the funds received, therefore no recommendation is warranted at this time.

Recommendation:

It is recommended that the Construction receipts are turned over and deposited within forty-eight hours of being collected, and that the police department maintains a cash book of funds received by the department.

Management's Response:

The Construction department will make every effort to ensure receipts are turned over and deposited within forty-eight hours of being collected, and the police department has implemented a cash book to keep track of the funds received.

Management Suggestions:

Federal and State Grant Fund

During our review of federal and state grants, we noted that a number of grants receivable and reserve balances are several years old. We suggest that a review of the federal and state grants receivable and appropriated grant reserves be conducted to identify those grants which will be collected and disbursed and which grants should be canceled.

Deferred Compensation Plans

The Borough has a fiduciary responsibility to its employees related to the deferred compensation plans offered by the Borough. The Borough should consider a periodic review of the benefits, features, costs, and performance of its

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions (Cont'd)

deferred compensation plans and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the Borough's fiduciary responsibilities.

Cyber Security

Cyber-crime has become much more prevalent in the last few years. Websites and internal networks, including personally identifiable information ("PII"), have been hacked and resulted in significant losses to organizations, both financial and reputational. We suggest that the Borough consider options to test and protect the Borough from cyber-crime.

Independent Contractors

The Borough should consider reviewing the status of "Independent Contractors" utilized by the Borough with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Borough will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* GASB No. 68 in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

Status of Prior Year Recommendations:

The Borough's finding regarding segregation of duties noted during 2015 was not resolved in 2016 and is included in the audit for the year ending December 31, 2016.

BOROUGH OF MOUNTAIN LAKES
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The Borough implement a fixed assets accounting and reporting system.
3. Local Public Contract Law be adhered to in all cases.
4. That purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.
5. That the Chief Financial Officer and Tax Collector reconcile all receipts on a monthly basis and reconciling differences are addressed in a timely manner, and tax overpayments be reviewed and refunded, or applied to current year taxes or cancelled through resolution.
6. That the Tax/Water Collector post and make adjustments appropriately and in a timely manner.
7. Bank reconciliations be reviewed and the Borough ensure that all reconciling items are cleared, and that bank reconciliations are prepared on a timely basis.
8. All interfunds be liquidated at year end and that every effort should be made to limit and control the number of interfund transactions in the future.
9. That payroll documentation is obtained and maintained for overtime.
10. That construction receipts are turned over and deposited within forty-eight hours of being collected, and that the police departments obtain a cash book of monies coming into the department.

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