

*BOROUGH OF
MOUNTAIN LAKES
COUNTY OF MORRIS
REPORT OF AUDIT
2017*

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF MOUNTAIN LAKES

COUNTY OF MORRIS

REPORT OF AUDIT

2017

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BOROUGH OF MOUNTAIN LAKES

PART I

REPORT ON AUDIT OF

FINANCIAL STATEMENTS AND

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2017

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 years ended December 31, 2017 and 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 audits. We conducted our audits 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
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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, 2017 and 2016, or the changes in financial position or where applicable, cash flows thereof for the years 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, 2017 and 2016 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements 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, 2017 and 2016 and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years 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

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 Honorable Mayor and Members
of the Borough Council
Borough of Mountain Lakes
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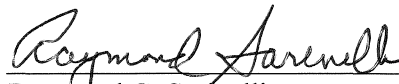
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to 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 9, 2018 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 9, 2018
Mount Arlington, New Jersey

NISIVOCIA LLP



Raymond G. Sarnelli
Registered Municipal Accountant No. 383
Certified Public Accountant

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
CURRENT FUND

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

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 8,571,276.35	\$ 3,308,960.90
Change Funds		200.00	200.00
		8,571,476.35	3,309,160.90
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		3,020.26	2,520.26
		8,574,496.61	3,311,681.16
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	193,872.63	380,122.92
Property Acquired for Taxes - Assessed Valuation		169,885.09	169,885.09
Revenue Accounts Receivable	A-9	2,626.91	
Due from:			
Animal Control Fund	B		2,841.00
Other Trust Funds	B		215,833.59
Water Utility Operating Fund	D		112,207.26
Water Utility Capital Fund	D		50.00
Sewer Utility Capital Fund	E		50.00
Net Payroll Account			24,541.79
Payroll Agency Account			149.87
Total Receivables and Other Assets With Full Reserves		366,384.63	905,681.52
Total Regular Fund		8,940,881.24	4,217,362.68
Federal and State Grant Fund:			
Grants Receivable	A-10	85,608.72	142,258.72
Due from Current Fund	A	53,855.91	192,049.66
Total Federal and State Grant Fund		139,464.63	334,308.38
TOTAL ASSETS		\$ 9,080,345.87	\$ 4,551,671.06

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

		December 31	
	Ref.	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 339,471.16	\$ 458,518.93
Encumbered	A-3;A-11	97,388.36	63,428.62
Total Appropriation Reserves		436,859.52	521,947.55
Accounts Payable - Vendors		4,000.00	11,500.00
Tax Overpayments		142,731.57	155,627.11
School Taxes Payable	A-12	5,999.54	
County Taxes Payable		12,516.15	15,786.63
Due to State of New Jersey:			
Marriage License Fees		25.00	125.00
Construction Code Surcharge Fees		2,540.00	2,317.00
Due to Board of Education - Grant Funds			15,484.00
Due to T-Mobile/Omnipoint and Sprint		1,725.33	1,674.97
Prepaid Taxes		5,240,161.43	96,936.41
Due to:			
Federal and State Grant Fund	A	53,855.91	192,049.66
Other Trust Funds - Tax Sale Premiums	B		42,200.00
General Capital Fund	C		626,358.96
Sewer Utility Operating Fund	E		5.00
Reserve for:			
Tax Appeals		250,000.00	
Police Equipment		744.71	744.71
Exterminating Pests Donation		300.00	300.00
		6,151,459.16	1,683,057.00
Reserve for Receivables and Other Assets	A	366,384.63	905,681.52
Fund Balance	A-1	2,423,037.45	1,628,624.16
Total Regular Fund		8,940,881.24	4,217,362.68
Federal and State Grant Fund:			
Encumbrances	A-13	1,784.30	229,657.83
Due Other Trust Fund - Recreation	B		400.00
Appropriated Reserves	A-13	94,827.06	79,654.80
Unappropriated Reserves	A-14	42,853.27	24,595.75
Total Federal and State Grant Fund		139,464.63	334,308.38
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 9,080,345.87	\$ 4,551,671.06

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

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE-REGULATORY BASIS

		Year Ended December 31,	
	Ref.	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,028,400.00	\$ 741,000.00
Miscellaneous Revenue Anticipated		1,274,875.72	2,112,119.90
Receipts from Delinquent Taxes		399,875.38	217,685.40
Receipts from Current Taxes		30,716,658.64	29,893,484.06
Nonbudget Revenue		104,061.05	97,831.84
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		127,044.43	184,041.65
Cancellation of:			
Tax Overpayments		5,559.45	
Appropriated Grant Reserves			2.05
Due to State of New Jersey:			
Marriage License Fees		25.00	
Construction Code Surcharge Fees		8.00	
Interfunds Returned		355,673.51	342,017.21
Total Income		34,012,181.18	33,588,182.11
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		7,397,408.75	7,573,411.10
County Taxes		3,450,606.14	3,399,251.37
Local District School Tax		21,139,353.00	20,650,265.00
Reserve for Tax Appeals		200,000.00	
Refund of Prior Year Revenue		2,000.00	3,193.99
Interfunds Advanced			355,673.51
Total Expenditures		32,189,367.89	31,981,794.97
Excess in Revenue/Statutory Excess to Fund Balance		1,822,813.29	1,606,387.14
<u>Fund Balance</u>			
Balance January 1		1,628,624.16	763,237.02
		3,451,437.45	2,369,624.16
Decreased by:			
Utilization as Anticipated Revenue		1,028,400.00	741,000.00
Balance December 31	A	\$ 2,423,037.45	\$ 1,628,624.16

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, 2017

	Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,028,400.00		\$ 1,028,400.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverage	12,000.00		12,688.00	\$ 688.00
Other	500.00		2,230.00	1,730.00
Fees and Permits	40,000.00		28,489.00	11,511.00 *
Municipal Court Fines and Costs	27,500.00		38,298.29	10,798.29
Interest and Costs on Taxes	42,500.00		57,878.83	15,378.83
Interest on Investments and Deposits	10,000.00		21,712.39	11,712.39
Trash Bag Receipts	193,000.00		190,975.00	2,025.00 *
Board of Education - Solid Waste Collection	47,000.00		53,683.04	6,683.04
Recreation Fees and Income	60,000.00		60,767.00	767.00
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	125,000.00		138,111.00	13,111.00
Rent for Railroad Station	26,000.00		33,091.92	7,091.92
T-Mobile/Omnipoint Cell Tower Lease	55,000.00		63,265.20	8,265.20
Sprint Cell Tower Lease	18,000.00		20,399.22	2,399.22
Verizon Lease	29,988.00		30,224.88	236.88
Cable Franchise Fees	18,700.00		18,711.00	11.00

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF REVENUE-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or Deficit *
Miscellaneous Revenue:				
Recycling Tonnage Grant	\$ 28,420.86		\$ 28,420.86	
Body Armor Replacement Fund	1,542.58		1,542.58	
Alcohol Education and Rehabilitation Grant	744.51		744.51	
Historic Preservation Grant	3,000.00		3,000.00	
Community Forestry Management Plan		\$ 5,000.00	5,000.00	
Town Club Grant:				
Shade Tree		600.00	600.00	
Green Team		750.00	750.00	
Drunk Driving Enforcement Fund		2,000.00	2,000.00	
Total Miscellaneous Revenue	1,201,188.95	8,350.00	1,274,875.72	\$ 65,336.77
Receipts from Delinquent Taxes	315,000.00		399,875.38	84,875.38
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	6,223,970.00		7,506,199.50	1,282,229.50
Budget Totals	8,768,558.95	8,350.00	10,209,350.60	\$ 1,432,441.65
Nonbudget Revenue			104,061.05	
	\$ 8,768,558.95	\$ 8,350.00	\$ 10,313,411.65	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF REVENUE-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Allocation of Current Tax Collections:

Revenue from Collections	\$ 30,716,658.64
Allocated to School, County and Open Space Taxes	24,589,959.14
Balance for Support of Municipal Budget Appropriations	<u>6,126,699.50</u>
 Add: Appropriation "Reserve for Uncollected Taxes"	 <u>1,379,500.00</u>
Realized for Support of Municipal Budget Appropriations	<u><u>\$ 7,506,199.50</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 399,609.01
Overpayments Applied	<u>266.37</u>
	<u><u>\$ 399,875.38</u></u>

Analysis of Fees and Permits - Other:

Township Clerk	\$ 22,889.00	
Planning and Zoning	<u>5,850.00</u>	
		\$ 28,739.00
Less: Refunds		<u>250.00</u>
		<u><u>\$ 28,489.00</u></u>

Analysis of Uniform Construction Code Official:

Collections	138,138.00
Less: Refunds	<u>27.00</u>
	<u><u>\$ 138,111.00</u></u>

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2017
(Continued)

Analysis of Nonbudget Revenue:

Treasurer:

Police Outside Detail Administration Fees	\$	24,611.79	
ReCommunity Recycling Revenue		12,544.54	
Payroll Account Balances Written Off		11,265.85	
Sale of Assets		8,579.00	
Void of Prior Year Checks		7,925.03	
Craig School Crossing Guard Reimbursement		7,609.50	
Verizon Prior Year Ground Lease		7,499.97	
Prior Year Refunds		6,940.97	
LEA Rebates		6,573.45	
Scrap Metal Proceeds		4,410.26	
Verizon Video Payment		1,309.71	
Verizon Annual Fee		1,000.00	
Boat Impound Fees		705.00	
Field Usage Fees		539.80	
Motor Vehicle Fines		450.00	
Flu Clinic		280.00	
2% Senior and Vet Admin Fee		215.00	
New Legacy Books		210.59	
Boat/Bike Registration		145.00	
Clothing Bin Permits		100.00	
Copies		78.93	
Homestead Rebate Admin Fee		54.00	
Land Use Ordinance Books		30.00	
Other Miscellaneous Revenue		967.66	
			\$ 104,046.05
Tax Collector - Duplicate Bills			15.00
			<u>\$ 104,061.05</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, 2017

Operations Within "CAPS":

GENERAL GOVERNMENT:

Township Manager:

Salaries and Wages

Other Expenses

Mayor and Council:

Other Expenses

Township Clerk:

Salaries and Wages

Other Expenses

Financial Administration:

Salaries and Wages

Other Expenses

Revenue Administration (Tax Collector):

Salaries & Wages

Other Expenses

Audit Services:

Other Expenses

Data Processing

Assessment of Taxes:

Salaries and Wages

Other Expenses

Reserve for Tax Appeals

Legal Services and Costs:

Other Expenses

Office of Fire Safety:

Salaries and Wages

Other Expenses

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
\$	126,243.00	\$ 126,243.00	\$ 121,148.01	\$ 5,094.99	
	57,750.00	63,750.00	59,890.28	3,859.72	
	4,000.00	4,000.00	2,298.22	1,701.78	
	89,729.00	89,729.00	89,729.00		
	22,600.00	22,600.00	15,108.80	7,491.20	
	53,145.00	53,145.00	50,651.56	2,493.44	
	13,665.00	12,165.00	11,952.36	212.64	
	31,299.00	31,299.00	29,880.53	1,418.47	
	3,985.00	3,985.00	2,334.15	1,650.85	
	22,000.00	22,000.00	22,000.00		
	21,300.00	21,300.00	21,298.45	1.55	
	22,570.00	22,570.00	22,570.00		
	1,200.00	1,200.00	974.05	225.95	
	10,000.00	10,000.00		10,000.00	
	140,000.00	115,000.00	92,094.96	22,905.04	
	14,500.00	14,500.00	14,499.71	0.29	
	1,000.00	1,000.00	222.67	777.33	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
GENERAL GOVERNMENT (Cont'd):					
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 12,281.00	\$ 12,281.00	\$ 8,650.43	\$ 3,630.57	
Other Expenses	9,175.00	11,175.00	9,729.16	1,445.84	
Zoning Board of Adjustment:					
Salaries and Wages	12,281.00	12,281.00	10,928.49	1,352.51	
Other Expenses	13,825.00	13,825.00	13,182.55	642.45	
Engineering Services & Costs:					
Other Expenses	60,000.00	35,000.00	33,877.85	1,122.15	
PUBLIC SAFETY:					
Police Department:					
Salaries and Wages	1,692,020.00	1,712,020.00	1,708,558.00	3,462.00	
Other Expenses	137,305.00	137,305.00	116,643.48	20,661.52	
Traffic & Safety Committee					
Other Expenses	1,600.00	1,600.00	958.90	641.10	
Office of Emergency Management:					
Salaries and Wages	8,000.00	8,000.00	7,989.87	10.13	
Other Expenses	4,000.00	4,000.00	592.22	3,407.78	
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	7,500.00		
Other Expenses	29,100.00	29,100.00	28,698.40	401.60	

BOROUGH OF MOUNTAIN LAKES

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2017

(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
PUBLIC WORKS:					
Streets and Roads Maintenance:					
Salaries and Wages	\$ 331,262.00	\$ 351,262.00	\$ 347,770.61	\$ 3,491.39	
Other Expenses	225,500.00	225,500.00	192,149.93	33,350.07	
Solid Waste Collection:					
Salaries and Wages	6,895.00	6,895.00	6,894.86	0.14	
Other Expenses	450,650.00	450,650.00	421,666.34	28,983.66	
Building and Grounds:					
Other Expenses	24,600.00	24,600.00	12,923.91	11,676.09	
Vehicle Maintenance:					
Other Expenses	42,500.00	60,500.00	51,826.10	8,673.90	
Shade Tree:					
Other Expenses	36,500.00	36,500.00	35,866.84	633.16	
Parks and Playground Maintenance:					
Other Expenses	100,500.00	100,500.00	94,890.62	5,609.38	
HEALTH AND WELFARE FUNCTIONS:					
Board of Health:					
Salaries and Wages	5,000.00	5,000.00	4,996.72	3.28	
Other Expenses	25,000.00	25,000.00	25,000.00		
Animal Control Services:					
Other Expenses	2,200.00	2,200.00	2,165.70	34.30	
Environmental Commission:					
Other Expenses	5,210.00	5,210.00	2,165.80	3,044.20	
Woodlands Committee-Other Expenses	750.00	750.00	607.11	142.89	
Contribution to Senior Citizens Center	1,000.00	1,000.00	204.54	795.46	

BOROUGH OF MOUNTAIN LAKESCURRENT FUNDSTATEMENT OF EXPENDITURES - REGULATORY BASISYEAR ENDED DECEMBER 31, 2017

(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
PARKS AND RECREATION FUNCTIONS:					
Recreation & Playground Services:					
Salaries and Wages	\$ 119,768.00	\$ 100,368.00	\$ 76,269.13	\$ 24,098.87	
Other Expenses	35,250.00	35,250.00	35,028.47	221.53	
Celebration of Public Events:					
Other Expenses	2,500.00	2,500.00	2,497.26	2.74	
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation:					
Salaries and Wages	10,000.00	10,000.00	10,000.00		
UNCLASSIFIED:					
Electricity	52,500.00	52,500.00	45,177.89	7,322.11	
Street Lighting	45,000.00	45,000.00	38,972.84	6,027.16	
Telephone	22,500.00	22,500.00	19,682.90	2,817.10	
Natural Gas	25,000.00	25,000.00	20,300.77	4,699.23	
Gasoline	37,500.00	37,500.00	14,080.53	23,419.47	
STATE UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	110,234.00	110,234.00	106,568.73	3,665.27	
Other Expenses	2,550.00	2,550.00	1,311.08	1,238.92	
Code Enforcement:					
Salaries and Wages	44,636.00	44,636.00	41,721.58	2,914.42	
Other Expenses	250.00	250.00		250.00	
Communication Advisory Committee:					
Other Expenses	7,000.00	7,000.00	5,185.00	1,815.00	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Canceled
Operations Within "CAPS" (Cont'd):					
INSURANCE:					
General Liability	\$ 105,127.00	\$ 105,127.00	\$ 90,014.72	\$ 15,112.28	
Workers Compensation	78,940.00	78,940.00	78,940.00		
Employee Group Health	414,788.00	414,788.00	394,251.48	20,536.52	
Unemployment Insurance	10,000.00	10,000.00	10,000.00		
Reserve for Salary Adjustments	15,500.00				
Total Operations Within "CAPS"	5,033,683.00	5,013,283.00	4,708,093.56	305,189.44	
Detail:					
Salaries and Wages	2,712,863.00	2,717,963.00	2,666,327.23	51,635.77	
Other Expenses	2,320,820.00	2,295,320.00	2,041,766.33	253,553.67	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS":					
Statutory Expenditures:					
Contributions to:					
Police & Firemen's Retirement System	318,446.00	318,446.00	318,446.00		
Public Employees' Retirement System	98,647.00	101,047.00	100,007.00	1,040.00	
Social Security System (O.A.S.I.)	108,423.00	117,423.00	113,984.78	3,438.22	
Defined Contribution Retirement Program	1,800.00	10,800.00	1,584.80	9,215.20	
Deferred Charges:					
Deficit - Animal Control Fund	2,006.00	2,006.00	2,006.00		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	529,322.00	549,722.00	536,028.58	13,693.42	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,563,005.00	5,563,005.00	5,244,122.14	318,882.86	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
Maintenance of Free Public Library (PL 1988, Ch.82):					
Other Expenses	\$ 258,000.00	\$ 258,000.00	\$ 258,000.00		
Recycling Tax	4,000.00	4,000.00	3,422.01	\$ 577.99	
Shared Services Agreements:					
Denville Township:					
Court Services	54,864.00	54,864.00	54,864.00		
County of Morris Dispatch / 911:					
Other Expenses	106,400.00	106,400.00	106,389.69	10.31	
Length of Service Awards Program (LOSAP)	20,000.00	20,000.00		20,000.00	
Public & Private Programs Offset by Revenue:					
Recycling Tonnage Grant	28,420.86	28,420.86	28,420.86		
Alcohol Education and Rehabilitation Grant	744.51	744.51	744.51		
New Jersey Body Armor Replacement Funds	1,542.58	1,542.58	1,542.58		
Historic Preservation	3,000.00	3,000.00	3,000.00		
Community Forestry Management Plan (N.J.S.A. 40A:4-87 +\$5,000.00)		5,000.00	5,000.00		
Town Club Grant:					
Shade Tree Commission (N.J.S.A. 40A:4-87 +\$600.00)		600.00	600.00		
Green Team (N.J.S.A. 40A:4-87 +\$750.00)		750.00	750.00		
Drunk Driving Enforcement Fund (N.J.S.A. 40A:4-87 +\$2,000.00)		2,000.00	2,000.00		
Total Operations - Excluded from "CAPS"	476,971.95	485,321.95	464,733.65	20,588.30	
Detail:					
Other Expenses	476,971.95	485,321.95	464,733.65	20,588.30	

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Canceled
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	\$ 38,865.00	\$ 38,865.00	\$ 38,865.00		
Total Capital Improvements - Excluded from "CAPS"	38,865.00	38,865.00	38,865.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	875,000.00	875,000.00	875,000.00		
Payment of Bond Anticipation Notes	221,400.00	221,400.00	221,400.00		
Interest on Bonds	174,775.00	174,775.00	174,775.00		
Interest on Notes	18,155.00	18,155.00	18,154.80		\$ 0.20
Total Municipal Debt Service - Excluded from "CAPS"	1,289,330.00	1,289,330.00	1,289,329.80		0.20
Deferred Charges - Excluded from "CAPS":					
Deferred Charges to Future Taxation - Unfunded: Ordinance #2006-11	20,887.00	20,887.00	20,887.00		
Total Deferred Charges - Excluded from "CAPS"	20,887.00	20,887.00	20,887.00		
Total General Appropriations - Excluded from "CAPS"	1,826,053.95	1,834,403.95	1,813,815.45	\$ 20,588.30	0.20
Subtotal General Appropriations	7,389,058.95	7,397,408.95	7,057,937.59	339,471.16	0.20
Reserve for Uncollected Taxes	1,379,500.00	1,379,500.00	1,379,500.00		
Total General Appropriations	\$ 8,768,558.95	\$ 8,776,908.95	\$ 8,437,437.59	\$ 339,471.16	\$ 0.20

Ref.

A

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 8,768,558.95	
Added by N.J.S.A. 40A:4-87		<u>8,350.00</u>	
		<u>\$ 8,776,908.95</u>	
Cash Disbursed			\$ 7,375,714.96
Encumbrances	A		97,388.36
Due Federal and State Grant Fund			42,057.95
Reserve for Uncollected Taxes			<u>1,379,500.00</u>
			8,894,661.27
Less: Appropriation Refunds			<u>457,223.68</u>
			<u>\$ 8,437,437.59</u>

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
TRUST FUNDS

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

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 42.00	\$ 837.54
Deficit in Animal Control Reserve	B-6		2,005.86
		<u>42.00</u>	<u>2,843.40</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	895,479.57	742,702.66
Due from Current Fund	A		42,200.00
Due from Federal and State Grant Funds	A		400.00
		<u>895,479.57</u>	<u>785,302.66</u>
TOTAL ASSETS		<u>\$ 895,521.57</u>	<u>\$ 788,146.06</u>

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

		December 31,	
		2017	2016
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A		\$ 2,841.00
Due to State Board of Health		\$ 1.20	2.40
Reserve for Animal Control Expenditures	B-6	40.80	
		<u>42.00</u>	<u>2,843.40</u>
Other Trust Funds:			
Due to Current Fund	A		215,833.59
Due to General Capital Fund	B		1,925.00
Premium on Tax Sale Certificates		227,700.00	128,600.00
Developers' Escrow Deposits		46,791.55	44,373.26
Reserve for:			
Other Trust		29,307.75	29,102.75
Developers Deposits' - Affordable Housing		32,797.67	32,797.67
Unemployment Compensation Insurance		20,544.84	12,507.93
Police Outside Employment		94,853.45	113,593.45
Police Forfeited Assets		7,248.78	5,093.11
Flexible Spending		6,501.43	2,493.67
Shade Tree Trust		4,412.59	4,412.59
Recreation Trust		213,245.57	172,594.88
Municipal Alliance		10,674.76	11,974.76
Accumulated Sick and Vacation Pay		20,000.00	10,000.00
Storm Recovery		131,401.18	
Liability Insurance		50,000.00	
		<u>895,479.57</u>	<u>785,302.66</u>
TOTAL LIABILITIES AND RESERVES		<u>\$ 895,521.57</u>	<u>\$ 788,146.06</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, 2017

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, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

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

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 2,270,619.70	\$ 423,412.20
Federal and State Aid Receivable			40,000.00
Due from:			
Current Fund	A		626,358.96
Other Trusts Funds	B		1,925.00
Deferred Charges to Future Taxation:			
Funded		8,750,000.00	5,495,000.00
Unfunded	C-4	64,400.59	3,763,252.59
TOTAL ASSETS		<u>\$ 11,085,020.29</u>	<u>\$ 10,349,948.75</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 8,750,000.00	\$ 5,495,000.00
Bond Anticipation Notes Payable	C-7		2,214,000.00
Improvement Authorizations:			
Funded	C-5	1,991,428.68	133,195.19
Unfunded	C-5	1,741.00	2,052,400.13
Due to Sewer Utility Operating Fund	E		6,842.50
Capital Improvement Fund	C-6	76,739.91	26,739.91
Reserve for Encumbrances		158,492.69	416,492.91
Reserve for Defibrillator		834.23	834.23
Fund Balance	C-1	105,783.78	4,443.88
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 11,085,020.29</u>	<u>\$ 10,349,948.75</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, 2016	C	\$ 4,443.88
Increased By:		
Premium on Serial Bonds Issued		<u>101,339.90</u>
Balance December 31, 2017	C	<u>\$ 105,783.78</u>

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
WATER UTILITY FUND

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

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 321,155.60	\$ 487,662.52
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	22,195.80	43,190.91
Appropriation Refunds Receivable		21,200.00	
		43,395.80	43,190.91
Deferred Charges:			
Emergency Authorization (40A:4-46)		17,280.67	
Total Operating Fund		381,832.07	530,853.43
Capital Fund:			
Cash and Cash Equivalents	D-4	13,877.93	9,047.13
Due from Water Utility Operating Fund	D		4,880.80
Fixed Capital	D-7	1,756,653.34	1,756,653.34
Total Capital Fund		1,770,531.27	1,770,581.27
TOTAL ASSETS		\$ 2,152,363.34	\$ 2,301,434.70

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

		December 31,	
	Ref.	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3;D-9	\$ 99,084.99	\$ 60,979.57
Encumbered	D-3;D-9	28,858.93	23,903.87
		127,943.92	84,883.44
Water Rent Overpayments		18,023.24	
Due to:			
Current Fund	A		111,127.78
Current Fund - Claims Account	A		1,079.48
Water Utility Capital Fund	D		4,880.80
Sewer Utility Operating Fund	E		52,613.77
Reserve for Meter Deposits		4,950.00	4,950.00
		150,917.16	259,535.27
Reserve for Receivables	D	43,395.80	43,190.91
Fund Balance	D-1	187,519.11	228,127.25
		381,832.07	530,853.43
Total Operating Fund			
Capital Fund:			
Due to Current Fund	A		50.00
Capital Improvement Fund	D-11	13,228.21	13,228.21
Reserve for Amortization	D-12	1,756,653.34	1,756,653.34
Fund Balance	D-1A	649.72	649.72
		1,770,531.27	1,770,581.27
Total Capital Fund			
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		\$ 2,152,363.34	\$ 2,301,434.70

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,	
Ref.	2017	2016
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 60,000.00	\$ 70,000.00
Water Rents	701,792.61	828,764.09
Miscellaneous Revenue	33,687.76	41,248.99
Other Credits to Income:		
Cancellation of Prior Year Accounts Payable		2,752.70
Unexpended Balance of Appropriation Reserves	58,065.49	22,451.41
	<u>853,545.86</u>	<u>965,217.19</u>
<u>Expenditures</u>		
Budget Expenditures:		
Operating	772,258.67	731,675.00
Capital Improvements	15,000.00	17,600.00
Deferred Charges and Statutory Expenditures	42,976.00	58,234.00
Other Receivables	21,200.00	
	<u>851,434.67</u>	<u>807,509.00</u>
Excess in Revenue	2,111.19	157,708.19
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	17,280.67	
	<u>19,391.86</u>	<u>157,708.19</u>
Statutory Excess to Fund Balance	19,391.86	157,708.19
<u>Fund Balance</u>		
Balance January 1	228,127.25	140,419.06
	<u>247,519.11</u>	<u>298,127.25</u>
Decreased by:		
Utilization by Water Operating Budget	60,000.00	70,000.00
	<u>187,519.11</u>	<u>228,127.25</u>
Balance December 31	D \$ 187,519.11	\$ 228,127.25

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, 2016	D	\$ 649.72
Balance December 31, 2017	D	\$ 649.72

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, 2017

	Anticipated	Realized	Excess or Deficit *
Operating Fund Balance Anticipated	\$ 60,000.00	\$ 60,000.00	
Water Rents	740,000.00	701,792.61	\$ 38,207.39 *
Miscellaneous Revenue	12,954.00	33,687.76	20,733.76
	<u>\$ 812,954.00</u>	<u>\$ 795,480.37</u>	<u>\$ 17,473.63 *</u>

Analysis of Miscellaneous Revenue

Collector:

Interest on Delinquent Water Rents	\$ 19,785.91	
Miscellaneous Water Fees	<u>11,965.12</u>	
		\$ 31,751.03

Treasurer:

Interest on Investments:		
Water Utility Operating Fund	1,327.48	
Water Utility Capital Fund	46.60	
	<u>1,374.08</u>	
Cancellation of Reconciling Items	<u>562.65</u>	
		<u>1,936.73</u>
		<u>\$ 33,687.76</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, 2017

	Appropriations		Expended by		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 409,208.00	\$ 409,208.00	\$ 394,761.64	\$ 14,446.36	
Other Expenses	345,770.00	345,770.00	276,304.72	69,465.28	
Other Expenses (Emergency +\$125,000.00)		125,000.00	17,280.67		\$ 107,719.33
Capital Improvements:					
Capital Outlay	15,000.00	15,000.00		15,000.00	
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	13,397.00	13,397.00	13,397.00		
Social Security System (O.A.S.I.)	29,579.00	29,579.00	29,405.65	173.35	
	<u>\$ 812,954.00</u>	<u>\$ 937,954.00</u>	<u>\$ 731,149.68</u>	<u>\$ 99,084.99</u>	<u>\$ 107,719.33</u>

Ref.

D

Adopted Budget	\$ 812,954.00
Emergency Appropriation	<u>125,000.00</u>
	<u>\$ 937,954.00</u>

Cash Disbursed	\$ 768,490.75
Encumbrances	<u>28,858.93</u>
	797,349.68
Less:	
Appropriation Refunds Received	45,000.00
Appropriation Refunds Receivable	<u>21,200.00</u>
	<u>\$ 776,149.68</u>

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
SEWER UTILITY FUND

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

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	E-4	\$ 71,062.07	\$ 97,595.02
Due from:			
Current Fund	A		5.00
General Capital Fund	C		6,842.50
Water Utility Operating Fund	D		52,613.77
		<u>71,062.07</u>	<u>157,056.29</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	E-6	<u>18,872.92</u>	<u>37,278.59</u>
Deferred Charges:			
Operating Deficit		<u>112,507.11</u>	
Total Operating Fund		<u>202,442.10</u>	<u>194,334.88</u>
Capital Fund:			
Cash and Cash Equivalents	E-4	29,604.00	24,983.78
Due from Sewer Utility Operating Fund	E		4,670.22
Fixed Capital	E-10	187,884.36	187,884.36
Fixed Capital Authorized and Uncompleted	E-11		5,554.00
Total Capital Fund		<u>217,488.36</u>	<u>223,092.36</u>
TOTAL ASSETS		<u>\$ 419,930.46</u>	<u>\$ 417,427.24</u>

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

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3;E-12	\$ 96,797.36	\$ 73,264.93
Encumbered	E-3;E-12	1,746.18	879.49
Total Appropriation Reserves		98,543.54	74,144.42
Accounts Payable - Sewer Usage Fees		41,783.99	
Due to Sewer Utility Capital Fund	E		4,670.22
		140,327.53	78,814.64
Reserve for Receivables	E	18,872.92	37,278.59
Fund Balance	E-1	43,241.65	78,241.65
Total Operating Fund		202,442.10	194,334.88
Capital Fund:			
Improvement Authorizations:			
Funded	E-14		5,554.00
Capital Improvement Fund	E-15	29,604.00	24,050.00
Due to Current Fund	A		50.00
Reserve for Amortization	E-16	187,884.36	187,884.36
Deferred Reserve for Amortization	E-17		5,554.00
Total Capital Fund		217,488.36	223,092.36
TOTAL LIABILITIES, RESERVES AND FUND BALANCE			
		\$ 419,930.46	\$ 417,427.24

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>	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 35,000.00	\$ 80,000.00
Sewer Service Charges		658,769.81	715,006.15
Miscellaneous Revenue Anticipated		20,185.17	89,651.59
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		28,706.91	41,676.97
Total Income		742,661.89	926,334.71
<u>Expenditures</u>			
Budget Appropriations:			
Operating		817,680.00	804,724.00
Capital Improvements		10,000.00	16,000.00
Deferred Charges and Statutory Expenditures		27,489.00	29,294.00
Total Expenditures		855,169.00	850,018.00
Excess/(Deficit) in Revenue		(112,507.11)	76,316.71
Operating Deficit to be Raised in Budget of Succeeding Year		112,507.11	
Statutory Excess to Fund Balance			76,316.71
<u>Fund Balance</u>			
Balance January 1		78,241.65	81,924.94
		78,241.65	158,241.65
Decreased by:			
Utilization by Sewer Operating Budget		35,000.00	80,000.00
Balance December 31	E	\$ 43,241.65	\$ 78,241.65

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

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 35,000.00	\$ 35,000.00	
Sewer Service Charges	680,000.00	658,769.81	\$ 21,230.19 *
Miscellaneous Revenue	60,169.00	20,185.17	39,983.83 *
Sewer Service Charges - Rate Increase	80,000.00		80,000.00 *
	<u>\$ 855,169.00</u>	<u>\$ 713,954.98</u>	<u>\$ 141,214.02 *</u>

Analysis of Miscellaneous Revenue

Collector:

Interest on Sewer Rents \$ 19,920.64

Treasurer:

Interest on Investments:

Sewer Utility Operating Fund \$ 154.51
Sewer Utility Capital Fund 110.02

264.53

\$ 20,185.17

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, 2017

	<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	\$ 241,980.00	\$ 241,980.00	\$ 239,279.61	\$ 2,700.39
Other Expenses	575,700.00	575,700.00	492,099.15	83,600.85
Capital Improvements:				
Capital Outlay	10,000.00	10,000.00		10,000.00
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	9,743.00	9,743.00	9,743.00	
Social Security System (O.A.S.I.)	17,746.00	17,746.00	17,249.88	496.12
	<u>\$ 855,169.00</u>	<u>\$ 855,169.00</u>	<u>\$ 758,371.64</u>	<u>\$ 96,797.36</u>
	<u>Ref.</u>			E
Cash Disbursed			\$ 756,625.46	
Encumbrances	E		<u>1,746.18</u>	
			<u>\$ 758,371.64</u>	

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

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
GENERAL FIXED ASSETS ACCOUNT GROUP

UNAUDITED

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

	December 31,	
	2017	2016
<u>ASSETS</u>		
Land	\$ 119,765,800.00	\$ 130,461,025.24
Buildings	2,257,500.00	1,180,954.45
Machinery and Equipment	3,713,643.00	4,851,170.48
TOTAL ASSETS	<u>\$ 125,736,943.00</u>	<u>\$ 136,493,150.17</u>
<u>RESERVES</u>		
Reserve for General Fixed Assets	<u>\$ 125,736,943.00</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, 2017

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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB 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.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

B. Description of Funds (cont'd)

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.

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 canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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; investments would generally be stated at fair value; 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.

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, 2017
(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 current assessed value 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, 2017
(Continued)

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

Summary of Municipal Debt

	December 31,		
	2017	2016	2015
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 8,750,000	\$ 7,709,000	\$ 6,365,000
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	64,401	1,549,253	19,000
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 8,814,401</u>	<u>\$ 9,258,253</u>	<u>\$ 6,384,000</u>

Summary of Municipal Debt Issued and Outstanding – Current Year and Prior Year

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
Serial Bonds:				
General Capital Fund	\$ 5,495,000	\$ 4,130,000	\$ 875,000	\$ 8,750,000
Bond Anticipation Notes:				
General Capital Fund	2,214,000		2,214,000	
Total	<u>\$ 7,709,000</u>	<u>\$ 4,130,000</u>	<u>\$ 3,089,000</u>	<u>\$ 8,750,000</u>
	Balance			Balance
	12/31/2015	Additions	Retirements	12/31/2016
Serial Bonds:				
General Capital Fund	\$ 6,365,000		\$ 870,000	\$ 5,495,000
Bond Anticipation Notes:				
General Capital Fund	1,640,726	\$ 2,214,000	1,640,726	2,214,000
Total	<u>\$ 8,005,726</u>	<u>\$ 2,214,000</u>	<u>\$ 2,510,726</u>	<u>\$ 7,709,000</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 0.662%.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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	\$ 8,170,000	\$ 8,170,000	
General Debt	<u>8,814,401</u>		<u>\$ 8,814,401</u>
	<u>\$ 16,984,401</u>	<u>\$ 8,170,000</u>	<u>\$ 8,814,401</u>

Net Debt \$8,814,401 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,331,772,628 = 0.662%.

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

3.5% Average Equalized Valuation of Real Property	\$ 46,612,042
Net Debt	<u>8,814,401</u>
Remaining Borrowing Power	<u>\$ 37,797,641</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	\$ 853,546
Deductions:	
Operating and Maintenance Costs	<u>815,235</u>
Excess in Revenue	<u>\$ 38,311</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	\$ 742,662
Deductions:	
Operating and Maintenance Costs	<u>845,169</u>
Deficit in Revenue	<u>\$ (102,507)</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, 2017
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2017

<u>General Capital Serial Bonds</u>				
<u>Purpose</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Dec. 31, 2017</u>
General Improvements	09/01/18-20	\$ 200,000	4.00%	\$ 600,000
General Improvement Refunding	07/15/18-20	200,000	4.00%	
	07/15/21-22	195,000	4.00%	990,000
General Improvement Refunding	11/15/18-20	280,000	5.00%	840,000
General Improvements	01/15/18	195,000	1.50%	
	01/15/19-20	200,000	1.50%	
	01/15/21	355,000	1.50%	
	01/15/22	285,000	1.75%	
	01/15/23	315,000	1.75%	
	01/15/24-25	320,000	2.00%	2,190,000
General Improvements	08/01/18	140,000	2.00%	
	08/01/19-21	140,000	3.00%	
	08/01/22-23	170,000	3.00%	
	08/01/24	200,000	3.00%	
	08/01/25-26	220,000	3.00%	
	08/01/27-31	230,000	3.00%	
	08/01/32-37	240,000	3.00%	4,130,000
TOTAL DEBT ISSUED AND OUTSTANDING				<u>\$ 8,750,000</u>

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>	
2018	\$ 1,015,000	\$ 261,125	\$ 1,276,125
2019	1,020,000	228,425	1,248,425
2020	1,020,000	191,225	1,211,225
2021	690,000	152,863	842,863
2022	650,000	135,706	785,706
Thereafter:			
2023-27	1,995,000	480,156	2,475,156
2028-32	1,160,000	285,000	1,445,000
2033-37	1,200,000	108,000	1,308,000
	<u>\$ 8,750,000</u>	<u>\$ 1,842,500</u>	<u>\$ 10,592,500</u>

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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

Capital Leases

The Borough is leasing equipment totaling \$177,467 under capital leases of which \$45,784 has been liquidated as of December 31, 2017. 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, 2017

<u>Year</u>	<u>Amount</u>
2018	\$ 40,046
2019	40,046
2020	35,687
2021	26,966
	<hr/>
Total Minimum Lease Payments	142,745
Less: Amount Representing Interest	(11,062)
	<hr/>
Present Value of Net Minimum Lease Payments	<u>\$ 131,683</u>

Operating Leases

The Borough has commitments to lease copying equipment under operating leases which expire in 2019. Total operating lease payments made during the year ended December 31, 2017 were \$5,026. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 5,026
2019	2,513
	<hr/>
Total Future Minimum Lease Payments	<u>\$ 7,539</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$4,060,153 at December 31, 2016. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$7,460,849 at December 31, 2016. See Note 5 for further information on the PERS and PFRS.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 3: Fund Balance Appropriated

Fund balances at December 31, 2017, which are appropriated and included in the Current, Water Utility Operating and Sewer Utility Operating Funds, introduced budgets for the year ending December 31, 2018, are as follows:

Current Fund	\$ 1,564,338
Water Utility Operating Fund	93,324
Sewer Utility Operating Fund	34,507

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, 2017, the following deferred charge are shown on the balance sheets:

	Balance Dec. 31, 2017	Required 2018 Budget Appropriation
Water Utility Operating Fund:		
Emergency Authorization	\$ 17,281	\$ 17,281
Sewer Utility Operating Fund:		
Operating Deficit	\$ 112,507	\$ 112,507

The appropriations in the 2018 budget are 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, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007 Members who were eligible to enroll on or after:
2	July 1, 2007 and prior to November 2, 2008
3	November 2, 2008 and prior to May 22, 2010
4	May 22, 2010 and prior to June 28, 2011
5	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 with 25 or more years of service credit before age 62 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. 43:15A 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 \$123,147 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. 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.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At December 31, 2016, the Borough's liability was \$4,060,153 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the Borough's proportion was 0.0134%, which was an increase of 0.0009% from its proportion measured as of June 30, 2015. The Borough has rolled forward the net pension liability to December 31, 2016 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. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

For the year ended December 31, 2017, the Borough recognized actual pension expense in the amount of \$123,147.

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage 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, 2016 are summarized in the following table:

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

Discount Rate

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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

The following presents the Borough's proportionate share of the collective net pension liability as of December 31, 2016 calculated using the discount rate as disclosed on the previous page, 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:

	December 31, 2016		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(2.98%)	(3.98%)	(4.98%)
Borough's proportionate share of the Net Pension Liability	\$ 4,975,243	\$ 4,060,153	\$ 3,304,666

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/annrprts.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 four years of service.

The following represents the membership tiers for PFRS:

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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.

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. 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. The June 30, 2016 State special funding situation net pension liability amounts are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense is the actuarially determined contribution amount that the State owes for the fiscal year ended June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

Borough contributions to PFRS amounted to \$318,446 for the year ended December 31, 2017. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$24,007 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$80,022.

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

Pension Liabilities and Pension Expense

At December 31, 2016, the Borough's liability for its proportionate share of the net pension liability was \$7,460,849. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the Borough's proportion was 0.0391%, which was a decrease of 0.0028% from its proportion measured as of June 30, 2015. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen'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 valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$626,526 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the State's proportion was 0.0391%, which was a decrease of 0.0028% from its proportion measured as of June 30, 2015 which is the same proportion as the Borough's. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen'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 valuation.

Borough's Proportionate Share of the Net Pension Liability	\$ 7,460,849
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>626,526</u>
Total Net Pension Liability	<u>\$ 8,087,375</u>

For the year ended December 31, 2017, the Borough recognized total pension expense of \$318,446.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate – PFRS

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

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

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, 2016 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, 2016		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.55%)	(5.55%)	(6.55%)
Borough's proportionate share of the Net Pension Liability and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 10,428,078	\$ 8,087,375	\$ 6,178,674

Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Borough recognized pension expense of \$1,585 for 2017. Employee contributions to DCRP were \$3,737 for 2017.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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.

Note 7: Accrued 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. All other employees of the Borough may accrue up to five days of the unused portion of their current year vacation leave. Accrued vacation leave must be used within the first six months of the following year.

It is estimated that the current cost of unpaid vacation compensation would approximate \$52,667 at December 31, 2017. This amount is not reported either as an expenditure or a liability. As of December 31, 2017, the Borough has a reserve of \$20,000 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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	\$ 2.572	\$ 2.527	\$ 2.468
<u>Apportionment of Tax Rate</u>			
Municipal	.519	.513	.492
County	.288	.284	.279
Local School	1.765	1.730	1.697
<u>Assessed Valuations</u>			
2017	<u>\$ 1,197,871,400</u>		
2016		<u>\$ 1,193,902,100</u>	
2015			<u>\$ 1,189,755,800</u>

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8: Selected Tax Information (Cont'd)

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>
2017	\$ 30,921,006	\$ 30,716,659	99.33%
2016	30,310,374	29,893,484	98.62%
2015	29,447,982	29,200,517	99.16%

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. 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 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.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

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, and

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%.

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, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Investments (Cont'd)

- (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) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (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, 2017, cash and cash equivalents of the Borough of Mountain Lakes consisted of the following:

Fund	Cash on Hand	Checking Accounts	Certificates of Deposit	Totals
Current	\$ 200	\$ 8,571,276		\$ 8,571,476
Animal Control		42		42
Other Trust		895,479		895,479
General Capital		885,620	\$ 1,385,000	2,270,620
Water Utility Operating		321,156		321,156
Water Utility Capital		13,878		13,878
Sewer Utility Operating		71,062		71,062
Sewer Utility Capital		29,604		29,604
	<u>\$ 200</u>	<u>\$ 10,788,117</u>	<u>\$ 1,385,000</u>	<u>\$ 12,173,317</u>

The Borough did not hold any investments during the year ended December 31, 2017. The carrying amount of the Borough's cash and cash equivalents at December 31, 2017, was \$12,173,317 and the bank balance was \$10,984,143.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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.

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 thirty-one year history of the MCMJIF, a supplemental assessment has never been declared.

The Fund 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 eight 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.

The December 31, 2017 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Selected summarized financial information for the Fund as of December 31, 2016 is as follows:

	Morris County Municipal Joint Insurance Fund
Total Assets	\$ 27,753,863
Net Position	\$ 12,178,035
Total Revenue	\$ 19,261,910
Total Expenses	\$ 15,715,706
Members Dividends	\$ -0-
Change in Net Position for the Year Ended December 31	\$ 3,546,204

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10: Risk Management (Cont'd)

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

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough is required to remit employee withholdings to the State on a quarterly basis. All of the Borough's claims are paid by the State.

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, 2017.

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. The Borough has established a reserve for this contingency in the amount of \$250,000. If an amount is due in excess of the reserve established, that amount will need to be raised in future budgets to fund the potential additional liability.

The Borough has been advised that there is a potential liability due to the Township of Parsippany for Sewer Usage fees. Currently, the matter is in dispute between the two towns. However, for fees in dispute through December 31, 2016, a reserve liability of \$41,784 has been established at December 31, 2017.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 12: Interfund Receivables and Payables

There following interfund balances remain on the balance sheet at December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		\$ 53,856
Federal and State Grant Fund	\$ 53,856	
	<u>\$ 53,856</u>	<u>\$ 53,856</u>

The Current Fund interfund payable of \$53,856 is due to the Federal and State Grant Fund as a result of receiving and disbursing funds on the Federal and State Grant Fund's behalf.

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.

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.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 15: Post-Retirement Benefits (Cont'd)

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. Police and fire retirees with 25 years of service from this pension system are provided 80% of the cost of their health insurance through the system. All other retired employees with twenty-five (25) years of service to the Borough or those who are over the age of fifty-five (55) years with 20 years of service are provided 50% of their health insurance from the Borough. The employee must register for PERS health insurance and pay the remaining 50% of the cost. Current retirees are being reimbursed in accordance with the Borough policy in effect at the time of their respective retirements. Future retirees will not have the benefit of receiving reimbursement by the Borough once they become eligible for Medicare.

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 retiree 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, 2017, the Borough had 5 retired employees who met post-retirement eligibility requirements for health care benefits and recognized expenses of \$23,752.17. 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.

BOROUGH OF MOUNTAIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 16: Fixed Assets (Unaudited)

The following is a summarization of general fixed assets for the years ended December 31, 2017 and 2016:

	Unaudited Balance Dec. 31, 2016	Additions	Adjustments	Unaudited Balance Dec. 31, 2017
Land	\$ 130,461,025		\$ 10,695,225	\$ 119,765,800
Buildings	1,180,954		(1,076,546)	2,257,500
Machinery and Equipment	4,851,171		1,137,528	3,713,643
	<u>\$ 136,493,150</u>	<u>\$ -0-</u>	<u>\$ 10,756,207</u>	<u>\$ 125,736,943</u>
	Balance Dec. 31, 2015	Additions	Deletions	Balance Dec. 31, 2016
Land	\$ 130,461,025			\$ 130,461,025
Buildings	1,180,954			1,180,954
Machinery and Equipment	4,851,171			4,851,171
	<u>\$ 136,493,150</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 136,493,150</u>

Adjustments for December 31, 2017 represent General Fixed Assets appraisal performed during 2017.

BOROUGH OF MOUNTAIN LAKES

SUPPLEMENTARY DATA

BOROUGH OF MOUNTAIN LAKES
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Peter Holmberg	Mayor		
Lauren Barnett	Deputy Mayor		
William Barrett	Council Member		
Daniel Happer	Council Member		
Janet Horst	Council Member		
Cynthia Korman	Council Member		
David Shepherd	Council Member		
Richard Sheola	Borough Manager/QPA/Treasurer	**	MCM/MEL JIF
Monica Goscicki	Chief Financial Officer	**	MCM/MEL JIF
Valerie A. Egan	Borough Clerk/Registrar	**	MCM/MEL JIF
Ann Purcell	Tax/Utility Collector	**	MCM/MEL JIF
Cynthia Shaw	Planning Board Secretary	**	MCM/MEL JIF
Robert Oostdyk	Township Attorney		
Gerard 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
2017
CURRENT FUND

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 3,308,960.90
Increased by Receipts:		
Tax Collector	\$ 36,679,561.04	
Petty Cash	250.00	
Miscellaneous Revenue Not Anticipated	104,046.05	
Revenue Accounts Receivable	1,153,503.55	
Interest on Investments	21,712.39	
Appropriation Refunds	457,223.68	
Due Federal and State Grant Fund:		
Grants Receivable	74,142.20	
Unappropriated Reserves	42,823.27	
Interfunds Returned:		
Due Animal Control Trust Fund	2,841.00	
Due Other Trust Funds	215,833.59	
Due Water Utility Operating Fund	112,207.26	
Due Water Utility Capital Fund	50.00	
Due Sewer Utility Capital Fund	50.00	
Due Net Payroll Account	24,541.79	
Due Payroll Agency Account	149.87	
Due State of New Jersey:		
Senior Citizens' and Veterans' Deductions	10,750.00	
Marriage License Fees	125.00	
Construction Code Surcharge Fees	12,271.00	
Due to T-Mobile/Omnipoint and Sprint	18,674.23	
		38,930,755.92
		\$ 42,239,716.82

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

	<u>Ref.</u>	
Decreased by Disbursements:		
2017 Appropriations	\$ 7,375,714.96	
2016 Appropriation Reserves	279,903.12	
Petty Cash	250.00	
County Taxes	3,453,876.62	
Local School District Taxes	21,133,353.46	
Tax Overpayments Refunded	12,007.95	
Accounts Payable	7,500.00	
Third Party Tax Title Lien Redemptions	195,986.31	
Due State of New Jersey:		
Marriage License Fees	200.00	
Construction Code Surcharge Fees	12,040.00	
Due to T-Mobile/Omnipoint and Sprint	18,623.87	
Due Federal and State Grant Fund:		
Appropriated Reserves	25,101.39	
Encumbrances	229,657.83	
Due Other Trust Funds - Recreation	400.00	
Due Other Trust Funds:		
Tax Sale Premiums	172,500.00	
Reserve for:		
Liability Insurance	50,000.00	
Storm Recovery	15,000.00	
Interfunds Returned:		
Due Other Trust Funds	42,200.00	
Due General Capital Fund	626,358.96	
Due Sewer Utility Operating Fund	5.00	
Due to Board of Education - Grant Funds	15,484.00	
Refund of Prior Year Revenue - Taxes	2,000.00	
Refund of Current Year Revenue:		
Fees and Permits	250.00	
Uniform Construction Code Official	27.00	
	<hr/>	
		\$ 33,668,440.47
Balance December 31, 2017	A	<hr/> <hr/> \$ 8,571,276.35

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

Interest and Costs on Taxes	\$ 57,878.83
Taxes Receivable	30,972,516.69
2018 Prepaid Taxes	5,240,161.43
Tax Overpayments	40,502.78
Tax Sale Premiums	172,500.00
Third-Party Lien Redemptions	195,986.31
Miscellaneous	15.00
	<hr/> 36,679,561.04

Decreased by:

Amount Turned Over to Treasurer	<hr/> <hr/> \$ 36,679,561.04
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BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

Year	Balance Dec. 31, 2016	Added Taxes	2017 Levy	2016	Collections 2017	Tax Overpayments Applied	Senior Citizens' and Veterans' Deductions	Taxes Canceled	Balance Dec. 31, 2017
2016	\$ 380,122.92	\$ 19,752.46			\$ 399,609.01	\$ 266.37			
2017			\$ 30,921,005.82	\$ 96,936.41	30,572,907.68	35,564.55	\$ 11,250.00	\$ 10,474.55	\$ 193,872.63
Total	<u>\$ 380,122.92</u>	<u>\$ 19,752.46</u>	<u>\$ 30,921,005.82</u>	<u>\$ 96,936.41</u>	<u>\$ 30,972,516.69</u>	<u>\$ 35,830.92</u>	<u>\$ 11,250.00</u>	<u>\$ 10,474.55</u>	<u>\$ 193,872.63</u>
Ref.	A								A

Analysis of 2017 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 30,809,252.47
Added, Omitted and Rollback Taxes	<u>111,753.35</u>
	<u>\$ 30,921,005.82</u>
Tax Levy:	
Local School District Taxes	\$ 21,139,353.00
County Taxes	\$ 3,321,605.30
County Open Space Taxes	116,484.69
County Added and Omitted Taxes	<u>12,516.15</u>
	<u>3,450,606.14</u>
	<u>24,589,959.14</u>
Local Tax for Municipal Purposes	6,223,970.00
Add: Additional Tax Levied	<u>107,076.68</u>
	<u>6,331,046.68</u>
	<u>\$ 30,921,005.82</u>

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2016	Accrued In 2017	Collected by Collector	Treasurer	Balance Dec. 31, 2017
Clerk:					
Licenses:					
Alcoholic Beverage	\$	12,688.00	\$	12,688.00	
Other		2,230.00		2,230.00	
Fees and Permits		22,889.00		22,889.00	
Planning and Zoning:					
Fees and Permits		5,850.00		5,850.00	
Recreation:					
Fees and Permits		60,767.00		60,767.00	
Municipal Court:					
Fines and Costs		40,925.20			
Interest and Costs on Taxes		57,878.83	\$	57,878.83	\$ 2,626.91
Trash Bag Receipts		190,975.00		190,975.00	
Board of Education:					
Solid Waste Collection		53,683.04		53,683.04	
Field Lease		45,000.00		45,000.00	
Energy Receipts Tax		417,293.00		417,293.00	
Uniform Construction Code Official		138,138.00		138,138.00	
Rent from Railroad Station		33,091.92		33,091.92	
Cell Tower Lease:					
T-Mobile/Omnipoint		63,265.20		63,265.20	
Sprint		20,399.22		20,399.22	
Verizon Lease		30,224.88		30,224.88	
Cable Franchise Fees		18,711.00		18,711.00	
	\$ -0-	\$ 1,214,009.29	\$ 57,878.83	\$ 1,153,503.55	\$ 2,626.91

Ref.

A

A

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

	Balance Dec. 31, 2016	Budget Revenue Realized	Received in Current Fund	Transfer from Unappropriated Reserves	Balance Dec. 31, 2017
Municipal Alliance on Alcohol and Drug Abuse:					
State Share - 2011 and 2012	\$ 11,729.92				\$ 11,729.92
Local Matching Share - 2012	2,500.00				2,500.00
Alcohol Education and Rehabilitation Grant					
Recycling Tonnage Grant		\$ 744.51		\$ 744.51	
Body Armor Replacement Fund		28,420.86	\$ 6,142.20	22,278.66	
Historic Preservation Grant		1,542.58		1,542.58	
Drunk Driving Enforcement Fund	3,800.00	3,000.00	2,400.00		4,400.00
Community Forestry Management Plan		2,000.00	2,000.00		
Town Club Grant:		5,000.00			5,000.00
Shade Tree Commission		600.00	600.00		
Green Team		750.00	750.00		
Click It or Ticket	49.68				49.68
Green Communities Grant	5,250.00		2,250.00		3,000.00
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
New Jersey Department of Transportation	60,000.00		60,000.00		

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

	Balance Dec. 31, 2016	Budget Revenue Realized	Received in Current Fund	Transfer from Unappropriated Reserves	Balance Dec. 31, 2017
Morris County Historic Preservation Grant	\$ 16,000.00				\$ 16,000.00
	\$ 142,258.72	\$ 42,057.95	\$ 74,142.20	\$ 24,565.75	\$ 85,608.72

Ref.

A

A

Adopted Budget
Added by N.J.S.A. 40A:4-87

\$	33,707.95
	8,350.00
\$	42,057.95

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed
General Government:				
Borough Clerk:				
Salaries and Wages	\$ 62.55	\$ 62.55		\$ 62.55
Other Expenses	832.50	832.50	\$ 152.55	679.95
Borough Council:				
Other Expenses	85.93	85.93	80.25	5.68
General Administration:				
Other Expenses	836.74	3,436.74	3,101.33	335.41
Legal Services and Costs:				
Other Expenses	13,185.60	13,185.60	4,943.85	8,241.75
Financial Administration (Treasury):				
Salaries and Wages	18,948.39	1,548.39	1,457.19	91.20
Other Expenses	2,815.18	2,815.18	1,986.00	829.18
Audit Services:				
Other Expenses	12,600.00	12,600.00		12,600.00
Data Processing:	6,741.79	5,241.79	5,221.00	20.79
Revenue Administration (Tax Collection):				
Salaries and Wages	290.56	290.56		290.56
Other Expenses	1,466.56	266.56	90.58	175.98
Tax Assessment Administration:				
Other Expenses	281.69	281.69		281.69
Reserve for Tax Appeals		50,000.00	50,000.00	
Engineering Services:				
Other Expenses	3,354.93	9,054.93	8,746.64	308.29
Environmental Commission:				
Other Expenses	3,092.00	92.00		92.00
Planning Board:				
Salaries and Wages	3,321.04	521.04	466.06	54.98
Other Expenses	7,639.42	139.42	139.42	
Zoning Board of Adjustment:				
Salaries and Wages	3,428.47	528.47	466.06	62.41
Other Expenses	69.09	69.09	21.15	47.94
Contribution to Senior Citizens:				
Other Expenses	2,017.02	2,017.02	19.98	1,997.04
Police:				
Salaries & Wages	51,932.22	37,932.22	31,745.73	6,186.49
Other Expenses	9,118.18	6,118.18	5,725.23	392.95
Emergency Management:				
Salaries & Wages	9.42	9.42		9.42
Other Expenses	1,228.22	1,228.22	54.24	1,173.98

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed
General Government:				
Fire Department:				
Salaries & Wages	\$ 8.80	\$ 8.80		\$ 8.80
Other Expenses	9,262.72	4,762.72	\$ 4,716.96	45.76
Office of Fire & Safety:				
Salaries & Wages	9,799.22	99.22		99.22
Other Expenses	8,798.35	798.35		798.35
Solid Waste Collection:				
Salaries and Wages	7.60	7.60		7.60
Other Expenses	15,448.65	40,848.65	40,523.96	324.69
Shade Tree Commission:				
Other Expenses	2,076.31	2,076.31	477.40	1,598.91
Public Building & Grounds:				
Other Expenses	12,452.71	4,452.71	3,113.63	1,339.08
Road Repairs & Maintenance:				
Salaries and Wages	34,564.23	34,564.23	4,248.12	30,316.11
Other Expenses	62,221.15	62,221.15	59,614.47	2,606.68
Vehicle Maintenance:				
Other Expenses	6,342.36	6,342.36	3,705.33	2,637.03
Board of Health:				
Salaries & Wages	375.22	375.22		375.22
Other Expenses	603.90	603.90		603.90
Parks & Playgrounds:				
Other Expenses	19,528.36	19,528.36	1,167.80	18,360.56
Recreation:				
Salaries & Wages	16,171.90	71.90		71.90
Other Expenses	14,037.15	3,037.15	2,205.53	831.62
Woodlands Committee:				
Other Expenses	920.00	920.00	69.00	851.00
Celebration of Public Events:				
Other Expenses	343.82	343.82	343.82	
Insurance:				
General Liability	7,095.47	50,095.47	50,000.00	95.47
Employee Group Health	27,106.57	27,106.57	9,566.07	17,540.50
State Uniform Construction Code:				
Salaries and Wages	2,306.54	6.54		6.54
Other Expenses	1,085.84	1,085.84	76.95	1,008.89
Code Enforcement:				
Salaries and Wages	4,384.06	84.06		84.06
Other Expenses	390.02	390.02		390.02

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed
Communication Advisory Committee:				
Other Expenses	\$ 5,400.00			
Utility Expenses:				
Electricity	12,068.75	\$ 5,068.75	\$ 3,617.93	\$ 1,450.82
Telephone	12,181.39	1,181.39	960.36	221.03
Natural Gas	1,984.54	4,884.54	4,835.71	48.83
Street Lighting	23,346.63	11,346.63	10,652.37	694.26
Gasoline	32,720.62	5,720.62	3,820.61	1,900.01
Public Employees' Retirement System	12,000.00	7,700.00	3,436.76	4,263.24
Police and Firemen's Retirement System	73.94	4,373.94	4,351.02	22.92
Social Security	1,513.33	1,513.33	582.06	931.27
Operations Excluded from "CAP":				
Other Expenses:				
Length of Service Award Program	18,400.00	18,400.00	18,400.00	
Maintenance of Library	0.04	0.04		0.04
Recycling Tax	1,169.86	1,169.86		1,169.86
Denville Township Court Services	2,400.00	2,400.00		2,400.00
Capital Improvement Fund		50,000.00	50,000.00	
	<u>\$ 521,947.55</u>	<u>\$ 521,947.55</u>	<u>\$ 394,903.12</u>	<u>\$ 127,044.43</u>

Balance December 31, 2016:

	<u>Ref.</u>	
Unencumbered	A	\$ 458,518.93
Encumbered	A	<u>63,428.62</u>
		<u>\$ 521,947.55</u>

Cash Disbursed	\$ 279,903.12
Reserve for Pending Tax Appeals	50,000.00
Due Other Trust Funds - Reserve for:	
Liability Insurance	50,000.00
Storm Recovery	<u>15,000.00</u>
	<u>\$ 394,903.12</u>

BOROUGH OF MOUNTAIN LAKES
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Increased by:		
Levy - Calendar Year 2017		\$ 21,139,353.00
Decreased by:		
Payments to Board of Education		<u>21,133,353.46</u>
Balance December 31, 2017	A	<u>\$ 5,999.54</u>

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

	Balance Dec. 31, 2016	Transfer from Current Fund Budget	Paid or Charged	Balance Dec. 31, 2017
Municipal Drug Alliance:				
State Share	\$ 16,796.98			\$ 16,796.98
Local Matching Share	2,500.00			2,500.00
Alcohol Education and Rehabilitation Grant	3,679.58	\$ 744.51		4,424.09
Recycling Tonnage Grant		28,420.86		28,420.86
Body Armor Replacement Fund	1,381.38	1,542.58		2,923.96
Historic Preservation Grant		3,000.00	\$ 2,996.00	4.00
Drunk Driving Enforcement Fund	5,121.20	2,000.00	444.60	6,676.60
Community Forestry Management Plan		5,000.00	5,000.00	
Town Club Grant:				
Shade Tree		600.00	600.00	
Green Team		750.00	750.00	
Click It or Ticket	7,858.00			7,858.00
Green Communities Grant	5,250.00			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
Clean Communities Program	21,516.25		17,095.09	4,421.16
Community Forestry Grant	3,000.00			3,000.00
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
	<u>\$ 79,654.80</u>	<u>\$ 42,057.95</u>	<u>\$ 26,885.69</u>	<u>\$ 94,827.06</u>

Ref. A

A

Adopted Budget	\$ 33,707.95
Added by N.J.S.A. 40A:4-87	<u>8,350.00</u>
	<u>\$ 42,057.95</u>

Due to Current Fund	\$ 25,101.39
Encumbrances	<u>1,784.30</u>
	<u>\$ 26,885.69</u>

A

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

	Balance Dec. 31, 2016	Received in Current Fund	Transferred to 2017 Budget Revenue	Balance Dec. 31, 2017
Alcohol Education and Rehabilitation Program	\$ 774.51	\$ 514.72	\$ 744.51	\$ 544.72
Recycling Tonnage Grant	22,278.66	5,842.60	22,278.66	5,842.60
Body Armor Replacement Fund	1,542.58	1,544.49	1,542.58	1,544.49
Drunk Driving Enforcement Fund		24,570.39		24,570.39
Clean Communities Program		10,351.07		10,351.07
	<u>\$ 24,595.75</u>	<u>\$ 42,823.27</u>	<u>\$ 24,565.75</u>	<u>\$ 42,853.27</u>
<u>Ref.</u>	A			A

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
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, 2016	B	\$ 837.54	\$ 742,702.66
Increased by Receipts:			
Animal Control Dog License Fees		\$ 6,725.00	
Cat License Fees		1,500.00	
Late Fees		1,669.00	
State Registration Fees		600.00	
Transfer from Current Fund - Prior Year Deficit in			
Animal Control Reserve		2,006.00	
Due Current Fund - Budget Appropriation		29.20	
Interest Earned		13.21	
Due Current Fund:			
Interfund Returned			\$ 42,200.00
Due Federal and State Grant Fund:			
Interfund Returned			400.00
Developer's Escrow			88,427.90
Tax Sale Premiums			172,500.00
Reserve For :			
Police Outside Detail			26,762.41
Police-Forfeited			2,155.67
Flexible Spending			17,006.09
Recreation Trust			220,719.53
Municipal Alliance			200.00
Unemployment Compensation Insurance			10,055.74
Storm Recovery:			
Federal Emergency Management Agency:			
Superstorm Sandy			87,285.47
January 22, 2016 Snow Storm			29,115.71
Budget Appropriation			15,000.00
Other Trust			460.00
Liability Insurance - Budget Appropriation			50,000.00
Accumulated Absences - Budget Appropriation			10,000.00
		<u>12,542.41</u>	<u>772,288.52</u>
		13,379.95	1,514,991.18

BOROUGH OF MOUNTAIN LAKES
TRUST FUNDS
SCHEDULE OF CASH - TREASURER
(Continued)

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:			
Animal Control Expenditures		\$ 9,895.75	
Due State of New Jersey		601.20	
Due Current Fund			
Interfund Returned		2,841.00	\$ 215,833.59
Due General Capital Fund			
Interfund Returned			1,925.00
Developer's Escrow			86,009.61
Tax Sale Premiums			73,400.00
Reserve for:			
Police Outside Detail			45,502.41
Flexible Spending			12,998.33
Recreation Trust			180,068.84
Municipal Alliance			1,500.00
Unemployment Compensation Insurance			2,018.83
Other Trust			255.00
		<u>\$ 13,337.95</u>	<u>\$ 619,511.61</u>
Balance December 31, 2017	B	<u>\$ 42.00</u>	<u>\$ 895,479.57</u>

BOROUGH OF MOUNTAIN LAKES
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

	<u>Ref.</u>		
Balance December 31, 2016	B	\$	-0-
Increased by:			
Dog License Fees Collected		\$	6,725.00
Cat License Fees Collected			1,500.00
Late Fees			1,669.00
2017 Current Fund Budget Appropriation:			
Other Expenses			29.20
Prior Year Deficit (Rounding)			0.14
Interest Earnings			13.21
			<u>9,936.55</u>
			<u>9,936.55</u>
Decreased by:			
Expenditures Under R.S. 4:19-15.11			<u>9,895.75</u>
Balance December 31, 2017	B	\$	<u><u>40.80</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ 9,783.40
2016	8,348.29
	<u>18,131.69</u>
Maximum Allowable Reserve	<u><u>\$ 18,131.69</u></u>

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 423,412.20
Increased by Receipts:		
Current Fund Appropriations:		
Capital Improvement Fund	\$ 88,865.00	
Deferred Charges to Future Taxation - Unfunded	20,887.00	
Serial Bonds	4,130,000.00	
Premium on Serial Bonds Issued:		
Capital Fund Balance	101,339.90	
Federal and State Aid Receivable:		
NJ Department of Transportation	40,000.00	
Due Current Fund:		
Interest Earned	4,291.96	
Interfund Returned	626,358.96	
Due Other Trust Funds - Interfund Returned	1,925.00	
Improvement Authorization Refunds	10,316.00	
		<u>5,023,983.82</u>
		5,447,396.02
Decreased by Disbursements:		
Bond Anticipation Notes Matured	1,992,600.00	
Improvement Authorization Expenditures	756,548.95	
Reserve for Encumbrances	416,492.91	
Due Current Fund - Interest Earned	4,291.96	
Due Sewer Utility Operating Fund - Interfund Returned	6,842.50	
		<u>3,176,776.32</u>
Balance December 31, 2017	C	<u>\$ 2,270,619.70</u>

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance (Deficit) Dec. 31, 2016	Receipts			Disbursements			Transfers		Balance (Deficit) Dec. 31, 2017
		Budget Appropriation	Bond Proceeds	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
Fund Balance	\$ 4,443.88			\$ 101,339.90						\$ 105,783.78
Capital Improvement Fund	26,739.91	\$ 88,865.00						\$ 38,865.00		76,739.91
Due Current Fund	(626,358.96)			630,650.92			\$ 4,291.96			
Federal and State Aid Receivable	(40,000.00)			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	416,492.91						416,492.91		\$ 158,492.69	158,492.69
Reserve for Defibrillator	834.23									834.23
Ord. Number	Improvement Description									
06-11	(83,546.59)	20,887.00								(62,659.59)
17-12	Various Capital Improvements									124,991.26
01-13	Various Capital Improvements				\$ 5,732.15	\$ 439,000.00		2,471.78		37.27
06-14	Various Capital Improvements		\$ 439,000.00		12,781.79	507,000.00				12,461.18
07-15	Various Capital Improvements		507,000.00		71,870.35	389,000.00				34,084.78
09-15	Various Capital Improvements		408,000.00		102,912.08	17,000.00				688.62
06-16;	Various Capital Improvements		17,000.00	316.00	6,989.71					
07-17	Various Capital Improvements		2,086,000.00	10,000.00	189,214.43	640,600.00		14,925.05		1,615,444.87
05-17	Various Capital Improvements		673,000.00		367,048.44			141,095.86	38,865.00	203,720.70
	\$ 423,412.20	\$ 109,752.00	\$ 4,130,000.00	\$ 784,231.82	\$ 756,548.95	\$ 1,992,600.00	\$ 427,627.37	\$ 197,357.69	\$ 197,357.69	\$ 2,270,619.70

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

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 26,739.91
Increased By:		
2017 Current Fund Budget Appropriation	\$ 38,865.00	
2016 Current Fund Appropriation Reserves	50,000.00	
		<hr/> 88,865.00
		<hr/> 115,604.91
Decreased By:		
Appropriated to Finance Improvement Authorizations		<hr/> 38,865.00
Balance December 31, 2017	C	<hr/> \$ 76,739.91 <hr/>

BOROUGH OF MOUNTAIN LAKES
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Ordinance Number	Improvement Description	Date of			Interest Rate	Balance Dec. 31, 2016	Matured
		Original Issue	Issue	Maturity			
01-13	Various Capital Improvements	05/13/13	08/11/16	08/10/17	0.82%	\$ 488,630.00	\$ 488,630.00
06-14	Various Capital Improvements	06/23/14	08/11/16	08/10/17	0.82%	565,846.00	565,846.00
07-15	Various Capital Improvements	06/22/15	08/11/16	08/10/17	0.82%	432,250.00	432,250.00
09-15	Various Capital Improvements	06/22/15	08/11/16	08/10/17	0.82%	19,000.00	19,000.00
06-16; 07-17	Various Capital Improvements	06/13/16	08/11/16	08/10/17	0.82%	708,274.00	708,274.00
						<u>\$ 2,214,000.00</u>	<u>\$ 2,214,000.00</u>
						Ref.	C
						Funded by Budget Appropriation	\$ 221,400.00
						Paid by Bond Funds	<u>1,992,600.00</u>
							<u>\$ 2,214,000.00</u>

BOROUGH OF MOUNTAIN LAKES
 GENERAL CAPITAL FUND
 SCHEDULE OF SERIAL BONDS PAYABLE
 YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017
			Date	Amount					
General Improvements	09/01/07	\$ 2,101,000.00	09/01/18-20	\$ 200,000.00	4.00%	\$ 800,000.00		\$ 200,000.00	\$ 600,000.00
General Improvement Refunding	11/20/07	2,915,000.00	07/15/18-20	200,000.00	4.00%				
			07/15/21-22	195,000.00	4.00%	1,195,000.00	205,000.00	990,000.00	
General Improvement Refunding	12/30/09	2,965,000.00	11/15/18-20	280,000.00	5.00%	1,120,000.00		280,000.00	840,000.00
General Improvements	01/29/13	3,035,000.00	01/15/18	195,000.00	1.50%				
			01/15/19-20	200,000.00	1.50%				
			01/15/21	355,000.00	1.50%				
			01/15/22	285,000.00	1.75%				
			01/15/23	315,000.00	1.75%				
			01/15/24-25	320,000.00	2.00%	2,380,000.00	190,000.00	2,190,000.00	
General Improvements	07/27/17	4,130,000.00	08/01/18	140,000.00	2.00%				
			08/01/19-21	140,000.00	3.00%				
			08/01/22-23	170,000.00	3.00%				
			08/01/24	200,000.00	3.00%				
			08/01/25-26	220,000.00	3.00%				
			08/01/27-31	230,000.00	3.00%				
			08/01/32-37	240,000.00	3.00%	\$ 4,130,000.00		4,130,000.00	
						\$ 5,495,000.00	\$ 4,130,000.00	\$ 875,000.00	\$ 8,750,000.00
Ref.						C	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, 2016	2017 Authorizations	Funded by		Bonds Issued	Balance Dec. 31, 2017
				Budget Appropriation			
<u>General Improvements:</u>							
06-11	Various Capital Improvements	\$ 83,546.59		\$ 20,887.00		\$ 19,000.00	\$ 62,659.59
07-15	Various Capital Improvements	19,000.00					
06-16;							
07-17	Various Capital Improvements	1,446,706.00				1,445,400.00	1,306.00
05-17	Various Capital Improvements		\$ 673,435.00			673,000.00	435.00
		\$ 1,549,252.59	\$ 673,435.00	\$ 20,887.00		\$ 2,137,400.00	\$ 64,400.59

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
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, 2016	D	\$ 487,662.52	\$ 9,047.13
Increased by Receipts:			
Water Rents	\$	701,792.61	
Miscellaneous Revenue		31,751.03	
Water Rent Overpayments		20,917.45	
Interest Earned		1,327.48	
Cancellation of Reconciling Items		562.65	
Appropriation Refunds		45,000.00	
Due Water Utility Operating Fund:			
Interfund Returned	\$	4,880.80	
Interest Earned		46.60	
Due Water Utility Capital Fund - Interest Earned		<u>46.60</u>	
		801,397.82	<u>4,927.40</u>
		<u>1,289,060.34</u>	<u>13,974.53</u>
Decreased by Disbursements:			
2017 Appropriation Expenditures		768,490.75	
2016 Appropriation Reserves		26,817.95	
Water Rent Overpayments		2,894.21	
Due Current Fund - Interfund Returned		111,127.78	50.00
Due Current Fund - Interfund Returned - Claims Account		1,079.48	
Due Water Utility Operating Fund - Interest Earned		4,880.80	46.60
Due Water Utility Capital Fund - Interfund Returned		52,613.77	
Due Sewer Utility Operating Fund - Interfund Returned		<u>967,904.74</u>	<u>96.60</u>
Balance December 31, 2017	D	<u>\$ 321,155.60</u>	<u>\$ 13,877.93</u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2016	Receipts Miscellaneous	Disbursements Miscellaneous	Balance Dec. 31, 2017
Fund Balance	\$ 649.72			\$ 649.72
Capital Improvement Fund	13,228.21			13,228.21
Due (from)/to:				
Current Fund	50.00		\$ 50.00	
Water Utility Operating Fund	(4,880.80)	\$ 4,927.40	46.60	
	<u>\$ 9,047.13</u>	<u>\$ 4,927.40</u>	<u>\$ 96.60</u>	<u>\$ 13,877.93</u>

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

	Balance Dec. 31, 2016	2017		Balance Dec. 31, 2017
		Billings	Collections	
Water Rents	\$ 43,190.91	\$ 680,797.50	\$ 701,792.61	\$ 22,195.80
Miscellaneous		31,751.03	31,751.03	
	<u>\$ 43,190.91</u>	<u>\$ 712,548.53</u>	<u>\$ 733,543.64</u>	<u>\$ 22,195.80</u>
<u>Ref.</u>	D			D

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

	Balance Dec. 31, 2016	Balance Dec. 31, 2017
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	60,476.59	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>\$ 1,756,653.34</u>	<u>\$ 1,756,653.34</u>

Ref.

D

D

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 5,132.91	\$ 5,132.91	\$ 3,011.41	\$ 2,121.50
Other Expenses	60,318.78	60,318.78	23,512.31	36,806.47
Capital Improvements:				
Capital Outlay	17,600.00	17,600.00		17,600.00
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	1,831.75	1,831.75	294.23	1,537.52
	<u>\$ 84,883.44</u>	<u>\$ 84,883.44</u>	<u>\$ 26,817.95</u>	<u>\$ 58,065.49</u>

Analysis of Balance December 31, 2016

	<u>Ref.</u>	
Unencumbered	D	\$ 60,979.57
Encumbered	D	<u>23,903.87</u>
		<u>\$ 84,883.44</u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2016	D	\$ 13,228.21
Balance December 31, 2017	D	<u>\$ 13,228.21</u>

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

	<u>Ref.</u>	
Balance December 31, 2016	D	<u>\$ 1,756,653.34</u>
Balance December 31, 2017	D	<u><u>\$ 1,756,653.34</u></u>

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
WATER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
COUNTY OF MORRIS
2017
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, 2016	E	\$ 97,595.02	\$ 24,983.78
Increased by Receipts:			
Sewer Service Charges		\$ 658,769.81	
Miscellaneous Revenue		19,920.64	
Interest on Investments		154.51	
Due Current Fund			
Interfund Returned		5.00	
Due General Capital Fund:			
Interfund Returned		6,842.50	
Due Water Utility Operating Fund:			
Interfund Returned		52,613.77	
Due Sewer Utility Operating Fund:			
Interfund Returned			\$ 4,670.22
Interest on Investments			110.02
Due Sewer Utility Capital Fund:			
Interest on Investments		110.02	
		<u>738,416.25</u>	<u>4,780.24</u>
		836,011.27	29,764.02
Decreased by Disbursements:			
2017 Budget Appropriations		756,625.46	
2016 Appropriation Reserves		3,653.52	
Due Current Fund - Interfund Returned			50.00
Due Sewer Utility Operating Fund:			
Interest on Investments			110.02
Due Sewer Utility Capital Fund:			
Interfund Returned		4,670.22	
		<u>764,949.20</u>	<u>160.02</u>
Balance December 31, 2017	E	<u>\$ 71,062.07</u>	<u>\$ 29,604.00</u>

[illegible]

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

	Balance Dec. 31, 2016	2017		Balance Dec. 31, 2017
		Billings	Collections	
Sewer Service Charges	\$ 37,278.59	\$ 640,364.14	\$ 658,769.81	\$ 18,872.92
Miscellaneous		19,920.64	19,920.64	
	<u>\$ 37,278.59</u>	<u>\$ 660,284.78</u>	<u>\$ 678,690.45</u>	<u>\$ 18,872.92</u>
<u>Ref.</u>	E			E

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY ASSESSMENT TRUST FUND
SCHEDULE OF PROSPECTIVE ASSESSMENTS RAISED BY UTILITY REVENUE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY ASSESSMENT TRUST FUND
SCHEDULE OF UTILITY SHARE OF SEWER ASSESSMENT BONDS ISSUED
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY ASSESSMENT TRUST FUND
SCHEDULE OF AMOUNT TO BE RAISED BY FUTURE REVENUE FOR CANCELED ASSESSMENTS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
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	<u>8,211.60</u>	<u>8,211.60</u>
	<u>\$ 187,884.36</u>	<u>\$ 187,884.36</u>
	<u>Ref.</u> E	E

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
YEAR ENDED DECEMBER 31, 2017

Ord. No.	Improvement Description	Ordinance		Balance	Canceled
		Date	Amount	Dec. 31, 2016	
11-05	Various Improvements	06/27/05	\$ 12,950.00	<u>\$ 5,554.00</u>	<u>\$ 5,554.00</u>
			<u>Ref.</u>	E	

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 29,290.32	\$ 29,290.32	\$ 2,024.88	\$ 27,265.44
Other Expenses	27,204.12	43,204.12	43,204.12	
Capital Improvements:				
Capital Outlay	16,000.00			
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	1,649.98	1,649.98	208.51	1,441.47
	<u>\$ 74,144.42</u>	<u>\$ 74,144.42</u>	<u>\$ 45,437.51</u>	<u>\$ 28,706.91</u>

Ref.

Balance December 31, 2016:

Unencumbered	E \$ 73,264.93
Encumbered	E <u>879.49</u>
	<u>\$ 74,144.42</u>

Cash Disbursed	\$ 3,653.52
Accounts Payable	<u>41,783.99</u>
	<u>\$ 45,437.51</u>

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY ASSESSMENT TRUST FUND
SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2017

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2016	Canceled
		Date	Amount	Funded	
	<u>General Improvements</u>				
11-05	Various Improvements	06/27/05	\$ 12,950.00	<u>\$ 5,554.00</u>	<u>\$ 5,554.00</u>
			<u>Ref.</u>	E	
			Sewer Utility Capital Improvement Fund		<u>\$ 5,554.00</u>

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

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 24,050.00
Increased by:		
Fully Funded Improvement Authorizations Canceled		<u>5,554.00</u>
Balance December 31, 2017	E	<u><u>\$ 29,604.00</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2016	E	<u>\$ 187,884.36</u>
Balance December 31, 2017	E	<u><u>\$ 187,884.36</u></u>

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
YEAR ENDED DECEMBER 31, 2017

Ord. No.	Improvement Description	Ordinance		Balance	Canceled
		Date	Amount	Dec. 31, 2016	
11-05	Various Improvements	06/27/05	\$ 12,950.00	<u>\$ 5,554.00</u>	<u>\$ 5,554.00</u>
<u>Ref.</u>				E	

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF MOUNTAIN LAKES

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Funding Department	Program	CFDA #	State Program Account #	Grant Award	Grant Receipts	Grant Period		Expenditures	MEMO	
						From	To		Cumulative Total Expenditures	Amounts Provided to Subrecipients
US Department of Homeland Security: Passed through NJ Department of Law and Public Safety	Disaster Grants - Public Assistance - F.E.M.A. January 22, 2016 Winter Storm Superstorm Sandy	97.036	100-066-1200- A92-NJSP	\$ 29,115.71	\$ 29,115.71	01/22/16	12/31/16	\$ 29,115.71 *	\$ 29,115.71	
				87,285.47	87,285.47	10/30/12	12/31/13	87,285.47 *	87,285.47	
					116,401.18			116,401.18	116,401.18	
					116,401.18			116,401.18	116,401.18	\$ -0-
Total US Department of Homeland Security										
US Department of Agriculture: Passed through NJ Department of Environmental Protection	Cooperative Forestry Assistance - Green Communities	10.664	100-042-4840- 038-110230	2,250.00	2,250.00	01/01/16	12/31/17		5,000.00	
				5,000.00		01/01/17	12/31/17	5,000.00	5,000.00	
					2,250.00			5,000.00	5,000.00	
					2,250.00			5,000.00	5,000.00	-0-
Total Environmental Protection Agency										
TOTAL FEDERAL AWARDS									\$ 121,401.18	\$ -0-

* - Expended in prior year(s).

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

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

MEMO							
State Funding Department	State Program	State Grant Account #	Grant Award	Grant Receipts	Grant Period		Expenditures
					From	To	
Department of Environmental Protection	Clean Communities Program	765-042-4900-004-178910	\$ 10,653.58 12,184.00 10,351.07	 \$ 10,351.07 10,351.07	01/01/15 01/01/16 01/01/17	12/31/17 12/31/18 12/31/18	\$ 9,332.25 6,418.54 15,750.79
		752-042-4900-004-178840	6,142.20 5,842.60	6,142.20 5,842.60 11,984.80	01/01/17 01/01/17	12/31/18 12/31/18	
		Total Department of Environmental Protection			22,335.87		15,750.79
		Department of Health and Senior Services	Alcohol Education, Rehabilitation and Enforcement Fund (Trust)	760-046-4240-040000	514.72	514.72	01/01/17
Total Department of Health and Senior Services				514.72			
Department of Transportation	NJ Transportation Trust Fund Authority Act - Municipal Aid	480-078-6320-156-609166 480-078-6320-156-609165	160,000.00 240,000.00	40,000.00 60,000.00 100,000.00 100,000.00	01/01/16 01/01/16	12/31/16 12/31/17	160,000.00 240,000.00 400,000.00 400,000.00
Total Department of Transportation							
Department of Law and Public Safety	Body Armor Replacement Fund	98-718-066-1020-001	1,544.49	1,544.49	01/01/17	12/31/18	
	Drunk Driving Enforcement Fund	100-066-1110-260-YYYY	5,121.20 26,570.39	26,570.39 26,570.39	01/01/11 01/01/17	12/31/18 12/31/18	444.60 444.60 444.60
Total Department of Law and Public Safety				28,114.88			444.60
TOTAL STATE AWARDS				\$ 150,965.47			\$ 245,853.22 \$ 417,516.72

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

BOROUGH OF MOUNTAIN LAKES
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

A. 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, 2017. 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.

B. 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 not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. 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.



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

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 years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 9, 2018. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01, which we consider to be a significant deficiency.

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

Page 2

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 Response to the Finding

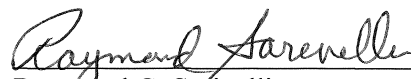
The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 9, 2018
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli
Registered Municipal Accountant No. 383
Certified Public Accountant

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

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.
- A significant deficiency disclosed during the audit of the financial statements is 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, 2017 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 deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2017-01

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The Chief Financial Officer reviews and approves disbursements of funds, prepares the general ledger and payroll and reconciles the bank accounts for the respective funds or accounts.

Cause

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.

BOROUGH OF MOUNTAIN LAKES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Finding 2017-01 (Cont'd)

Effect or Potential Effect

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.

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.

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, 2017

Status of Prior Year Findings:

The Borough's prior year finding 2016-01 with regard to segregation of duties has not been resolved in the current year and is included as Finding 2017-01. The Borough's prior year finding 2016-02 with regard to the Borough's fixed assets accounting and reporting system has been resolved in the current year.

BOROUGH OF MOUNTAIN LAKES
PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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. None were noted.

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, 2017, 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, 2017, 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 6, 2017, 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>
2017	0
2016	0
2015	0

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 2017 Taxes	20
Payments of 2018 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

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Borough's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2017.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Receipts	Disbursements	Balance Dec. 31, 2017
Municipal Treasurer:				
Fines and Fees	\$ 4,056.77	\$ 36,826.66	\$ 38,259.29	\$ 2,624.14
Interest	0.61	11.16	9.00	2.77
Transcript Fees		30.00	30.00	
Parking Offense Adjudication Act		2.00		2.00
Municipal Treasurer - Shared Court:				
Public Defender		200.00	200.00	
State Treasurer	3,464.63	36,905.84	38,779.11	1,591.36
County Treasurer	2,239.50	19,699.50	20,501.50	1,437.50
Weights and Measures		100.00	100.00	
Local Park Commission	50.00	250.00	300.00	
Regular Account Deficit	(121.53)			(121.53)
Bail Account	10,180.00	9,331.00	14,331.00	5,180.00
	<u>\$ 19,869.98</u>	<u>\$ 103,356.16</u>	<u>\$ 112,509.90</u>	<u>\$ 10,716.24</u>

During our review of the Municipal Court, which is operated as a shared service, by another municipality, regular account records it was noted that the reconciled bank balance at December 31, 2017 is less than the cash collections for the month of December 2017. This deficit appears to be due to bank charges incurred in prior years that were never reimbursed. In addition, there are also bank charges incurred in 2017 on the December 31, 2017 regular account bank reconciliation.

It is recommended that the Municipal Court regular bank account deficit and bank charges be reviewed for proper disposition.

Management's Response:

The Municipal Court regular bank account deficit and bank charges will be reviewed for proper disposition.

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 currently in compliance with the above accounting requirements.

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Tax Collector

Although improvement from the prior year was noted, a review of the Tax Collector's records revealed that there is still a large tax overpayment balance at year end.

Recommendation:

It is recommended that tax overpayments continue to be reviewed, refunded, applied to current year taxes, or canceled through resolution.

Management's Response:

The Chief Financial Officer and Tax Collector will continue to review overpayment balances and refund, apply, or cancel those balances through resolution.

Sewer Utility Operating Fund

The Sewer Utility Operating Fund incurred an operating deficit required to be raised in the budget of the succeeding year.

Recommendation:

It is recommended that the operations of the sewer utility operating fund be reviewed to identify the necessary steps to be taken to prevent future operating deficits.

Management's Response:

The operations of the sewer utility operating fund be reviewed to identify the necessary steps to be taken to prevent future operating deficits.

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.

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 year ending December 31, 2018 and thereafter. 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* 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.

BOROUGH OF MOUNTAIN LAKES
COMMENTS AND RECOMMENDATIONS
(Continued)

Status of Prior Year Recommendations:

Prior year recommendations 2,3,4,6,7,8,9 and 10 were resolved in the current year. Prior year recommendation 5 was partially resolved in the current year. Prior year recommendation 1 and the unresolved portion of prior year recommendation 5 are included as current year recommendations 1 and 3.

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 Municipal Court, operated as a shared service, by another municipality, regular bank account deficit and bank charges be reviewed for proper disposition.
3. Tax overpayments continue to be reviewed, refunded, applied to current year taxes, or canceled through resolution.
4. The operations of the sewer utility operating fund be reviewed to identify the necessary steps to be taken to prevent future operating deficits.

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