

REPORT OF AUDIT
BOROUGH OF WASHINGTON
COUNTY OF WARREN
DECEMBER 31, 2016

BOROUGH OF WASHINGTON, N.J.
YEAR ENDED DECEMBER 31, 2016
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BOROUGH OF WASHINGTON

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PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Washington
Washington, New Jersey 07882

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Washington in the County of Warren, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal



control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully describe 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. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2016, and 2015, stated as \$9,941,581.48 and \$9,587,204.38, respectively.

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Washington's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, on our consideration of the Borough of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Washington's internal control over financial reporting and compliance.



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Certified Public Accountants

Newton, New Jersey
June 16, 2017



Borough of Washington, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	2,949,696.45	2,534,929.39
Change Fund	A-5	325.00	325.00
Due From State of New Jersey:			
Senior Citizen and Veteran Deductions	A-11	6,164.77	6,424.49
		<u>2,956,186.22</u>	<u>2,541,678.88</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	431,585.94	506,613.18
Tax Title Liens Receivable	A-7	928,885.74	1,049,499.65
Property Acquired for Taxes -			
Assessed Valuation	A-8	687,500.00	410,600.00
Labor Liens Receivable	A-9	7,825.83	4,731.64
Revenue Accounts Receivable	A-10	5,425.80	6,018.86
Interfund Receivables:			
Animal Control Trust Fund	A-12	202.37	
		<u>2,061,425.68</u>	<u>1,977,463.33</u>
		<u>5,017,611.90</u>	<u>4,519,142.21</u>
Federal and State Grant Fund:			
Cash	A-4	28,292.32	43,007.69
Grants Receivable	A-21	25,882.33	8,433.34
		<u>54,174.65</u>	<u>51,441.03</u>
		<u>5,071,786.55</u>	<u>4,570,583.24</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-13	343,001.51	276,840.30
Encumbered	A-3;A-13	102,912.75	137,148.35
		<u>445,914.26</u>	<u>413,988.65</u>
Interfunds Payable:			
Sewer Utility Operating Fund	A-12		149.46
Other Trust Fund	A-12	74,869.90	1,616.36
Tax Overpayments	A-14	29,315.46	29,992.21
Reserve for:			
Tree Shade	A-14	500.00	500.00
State Library Aid	A-14	4,708.71	4,514.75
Sale of Municipal Assets	A-14	9,900.00	9,900.00
Prepaid Taxes	A-15	133,868.49	93,249.20
County Taxes Payable	A-16	16,567.43	23,721.78
Local School District Tax Payable	A-17	92,762.09	218,471.59
Regional High School Taxes Payable	A-18	187,016.30	61,306.80
		<u>995,422.64</u>	<u>857,410.80</u>
Reserve for Receivables	Contra	2,061,425.68	1,977,463.33
Fund Balance	A-1	1,960,763.58	1,684,268.08
		<u>5,017,611.90</u>	<u>4,519,142.21</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-22	50,557.08	51,181.99
Encumbrances Payable	A-23	3,617.57	259.04
		<u>54,174.65</u>	<u>51,441.03</u>
		<u>5,071,786.55</u>	<u>4,570,583.24</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Years Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	878,000.00	807,225.42
Miscellaneous Revenue Anticipated	A-2	1,150,172.61	956,482.70
Receipts from Delinquent Taxes	A-2	461,653.78	786,943.65
Receipts from Current Taxes	A-2	17,486,197.24	17,098,092.46
Non-Budget Revenue	A-2	205,251.56	15,553.09
Other Credits to Income:			
Statutory Excess In Animal Control Trust	A-12	202.37	
Interfunds Returned			17,757.67
Unexpended Balance of Appropriation Reserves	A-13	208,246.83	262,582.24
Total Revenues and Other Income		<u>20,389,724.39</u>	<u>19,944,637.23</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within "CAPS"			
Operating	A-3	2,809,997.32	2,721,957.20
Deferred Charges and Statutory Expenditures	A-3	191,017.00	195,834.00
Operations - Excluded From CAPS:			
Operating	A-3	2,825,642.08	2,697,636.02
Capital Improvements	A-3	410,000.00	297,000.00
Municipal Debt Service	A-3	889,091.13	880,428.62
Due State of New Jersey:			
Prior Year Marriage Licenses Fees	A-4	2,225.00	
Refund of Prior Year Revenue			73,670.90
Interfund Advances	A-12	202.37	
Grant Receivables Canceled			2,088.10
County Taxes including Added Taxes	A-16	3,130,520.47	3,231,532.68
Local District School Tax	A-17	4,651,092.02	4,568,278.86
Regional High School Tax	A-18	4,125,441.50	4,089,741.14
Special Improvement District Tax	A-19	200,000.00	200,000.00
Total Expenditures		<u>19,235,228.89</u>	<u>18,958,167.52</u>
Statutory Excess to Fund Balance		1,154,495.50	986,469.71
Fund Balance, January 1,	A	<u>1,684,268.08</u>	<u>1,505,023.79</u>
		2,838,763.58	2,491,493.50
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>878,000.00</u>	<u>807,225.42</u>
Fund Balance, December 31,	A	<u>1,960,763.58</u>	<u>1,684,268.08</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Ref.	Budget	Appropriated by: 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	878,000.00		878,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-10	5,000.00		5,115.00	115.00
Other		700.00			(700.00)
Fees and Permits	A-10	25,000.00		25,574.44	574.44
Fines and Costs:					
Municipal Court	A-10	100,000.00		88,728.70	(11,271.30)
Interest and Costs on Taxes	A-10	130,000.00		116,508.20	(13,491.80)
Interest on Investments and Deposits	A-10	2,000.00		4,701.52	2,701.52
Consolidated Municipal Property Tax Relief Aid	A-10	38,300.00		38,300.00	
Energy Receipts Tax	A-10	555,076.00		555,076.00	
Special Items of General Revenue Anticipated					
With Prior Written Consent of Director of					
Local Government Services:					
Public and Private Revenues:					
Recycling Tonnage Grant	A-21		3,604.65	3,604.65	
Municipal Alliance	A-21		21,551.00	21,551.00	
NJ DOT Municipal Aid - N. Lincoln Ave	A-21		50,000.00	50,000.00	
Clean Communities Grant	A-21		17,393.03	17,393.03	
Sustainable Jersey	A-21		2,000.00	2,000.00	
Risk Control Grant	A-21		2,406.51	2,406.51	
Other Special Items:					
Uniform Fire Safety Act	A-10	10,000.00		14,213.56	4,213.56
Animal Shelter Trust Fund		5,200.00			(5,200.00)
Sewer Operating Surplus	A-10	205,000.00		205,000.00	
Total Miscellaneous Revenues	A-1	1,076,276.00	96,955.19	1,150,172.61	(23,058.58)
Receipts from Delinquent Taxes	A-1;A-2	549,402.00		461,653.78	(87,748.22)
Subtotal General Revenues		2,503,678.00	96,955.19	2,489,826.39	(110,806.80)
Amount to be Raised by Taxes for Support of					
Municipal Budget-Local Tax for Municipal					
Purposes Including Reserve for Uncollected Taxes	A-2	5,418,153.21		5,898,495.77	480,342.56
Budget Totals		7,921,831.21	96,955.19	8,388,322.16	369,535.76
Non-Budget Revenue	A-1;A-2			205,251.56	205,251.56
		7,921,831.21	96,955.19	8,593,573.72	574,787.32
		A-3	A-3		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	17,486,197.24
Allocated to School and County Taxes	A-6	<u>12,479,125.47</u>
Balance for Support of Municipal Budget Appropriations		5,007,071.77
Add:		
Appropriated Reserve for Uncollected Taxes	A-3	<u>891,424.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>5,898,495.77</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	445,069.41
Tax Title Liens Receivable	A-7	<u>16,584.37</u>
		<u><u>461,653.78</u></u>
		A-2
<u>Analysis of Non-budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Registrar		2,990.00
Fire Prevention Inspection Fees		18,708.00
Division of Motor Vehicles Fines & Fees		547.00
Tax Department Miscellaneous		35,694.43
Senior Citizen and Veterans Admin. Costs Reimb.		813.08
Finance - Miscellaneous		144,119.05
Various Refunds and Miscellaneous		<u>1,672.00</u>
		204,543.56
Labor Liens Receivable	A-9	708.00
	A-4	<u><u>205,251.56</u></u>
		A-2

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
<u>General Appropriations</u>						
General Government:						
Administrative and Executive:						
Salaries and Wages		69,001.00	64,001.00	60,166.98	3,834.02	
Other Expenses		41,175.00	53,175.00	48,364.43	4,810.57	
Mayor and Council:						
Salaries and Wages		14,500.00	14,500.00	14,500.00		
Other Expenses		7,665.00	4,665.00	838.00	3,827.00	
Municipal Clerk:						
Salaries and Wages		81,050.00	66,050.00	61,577.94	4,472.06	
Other Expenses		9,555.00	9,555.00	5,827.97	3,727.03	
Financial Administration:						
Salaries and Wages		100,900.00	100,900.00	98,397.89	2,502.11	
Other Expenses		16,900.00	21,400.00	19,620.03	1,779.97	
Annual Audit		28,000.00	28,000.00	21,310.00	6,690.00	
Revenue Administration:						
Salaries and Wages		70,900.00	70,900.00	68,824.47	2,075.53	
Other Expenses		13,200.00	13,200.00	11,392.17	1,807.83	
Assessment of Taxes:						
Salaries and Wages		35,500.00	32,500.00	32,500.00		
Other Expenses		15,975.00	15,975.00	13,072.95	2,902.05	
Legal Services and Costs:						
Other Expenses		60,000.00	145,000.00	127,450.82	17,549.18	

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
<u>General Appropriations</u>						
<u>Engineering Services and Costs:</u>						
Other Expenses		60,000.00	105,000.00	82,355.75	22,644.25	
<u>Municipal Land Use Law (N.J.S. 40:55 D-1)</u>						
<u>Planning Board:</u>						
Salaries and Wages		3,900.00	3,900.00	3,783.50	116.50	
Other Expenses		11,543.34	11,543.34	2,860.13	8,683.21	
<u>Board of Adjustment:</u>						
Salaries and Wages		3,800.00	3,800.00	1,023.13	2,776.87	
Other Expenses		4,513.00	4,513.00	4,168.68	344.32	
<u>Local Code Enforcement:</u>						
Salaries and Wages		24,500.00	19,500.00	14,068.50	5,431.50	
Other Expenses		3,550.00	3,550.00		3,550.00	
<u>P.E.O.S.H.A. (P.L. 1983,C516):</u>						
Other Expenses		1,000.00				
<u>Insurance:</u>						
General Liability		254,212.40	254,512.40	254,350.39	162.01	
Employee Group Health		202,433.58	162,433.58	157,355.06	5,078.52	
<u>Public Safety:</u>						
<u>Fire:</u>						
Other Expenses						
Miscellaneous Other Expenses		43,319.00	43,319.00	43,319.00		
Fire Hydrant Service		73,000.00	73,000.00	64,493.00	8,507.00	
<u>First Aid Organization - Aid Maintenance:</u>						
Other Expenses		19,300.00	19,300.00	19,300.00		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
<u>General Appropriations</u>						
Uniform Fire Safety Act (CH. 383, P.L. 1983)						
Fire and Code Enforcement:						
Salaries and Wages		24,800.00	24,800.00	21,300.01	3,499.99	
Other Expenses		5,050.00	5,050.00	2,045.76	3,004.24	
Office of Emergency Management:						
Salaries and Wages		5,200.00	5,200.00	5,075.00	125.00	
Other Expenses		2,000.00	2,000.00		2,000.00	
Public Works						
Road Repair and Maintenance						
Salaries and Wages		472,500.00	424,200.00	382,739.14	41,460.86	
Other Expenses		115,757.00	115,757.00	75,028.68	40,728.32	
Shade Tree Commission:						
Salaries and Wages		970.00	970.00	948.01	21.99	
Other Expenses		17,500.00	17,500.00	16,816.68	683.32	
Public Buildings and Grounds:						
Salaries and Wages		12,600.00	12,600.00	11,752.27	847.73	
Other Expenses		47,900.00	37,900.00	18,313.82	19,586.18	
Solid Waste Collection:						
Other Expenses		295,000.00	295,000.00	268,583.26	26,416.74	
Health and Welfare						
Animal Control:						
Salaries and Wages		10,500.00	10,500.00	10,208.81	291.19	
Senior Services						
Other Expenses		2,500.00	2,500.00	2,500.00		
Park and Recreation:						
Recreation and Education						
Other Expenses		76,328.00	76,328.00	76,328.00		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
<u>General Appropriations</u>						
Public Defender (P.L. 1977,C.256)		6,000.00	6,000.00	3,400.00	2,600.00	
Other Expenses						
Utility Expenses						
Electricity		50,000.00	50,000.00	27,168.85	22,831.15	
Natural Gas		20,000.00	20,000.00	8,540.55	11,459.45	
Street Lighting & Traffic Lights		83,500.00	83,500.00	56,100.18	27,399.82	
Solid Waste Disposal		175,000.00	175,000.00	146,980.10	28,019.90	
Telephone		18,000.00	18,000.00	17,299.09	700.91	
Water		13,000.00	13,000.00	8,824.50	4,175.50	
Gasoline and Diesel Fuel		25,000.00	25,000.00	9,268.07	15,731.93	
Municipal Service Reimbursements		40,000.00	40,000.00		40,000.00	
Salary Settlements		5,000.00	5,000.00	5,000.00		
Total Operations Within "CAPS"		<u>2,793,497.32</u>	<u>2,809,997.32</u>	<u>2,405,141.57</u>	<u>404,855.75</u>	
Total Operations Including Contingent- Within "CAPS"	A-1	2,793,497.32	2,809,997.32	2,405,141.57	404,855.75	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees Retirement System		101,017.00	101,017.00	101,017.00		
Social Security System (O.A.S.I.)		92,000.00	78,500.00	69,231.78	9,268.22	
Unemployment Compensation Insurance		7,500.00	7,500.00	7,500.00		
Defined Contribution Retirement Program		7,000.00	4,000.00	2,906.79	1,093.21	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	207,517.00	191,017.00	180,655.57	10,361.43	
Total General Appropriations for Municipal Purposes within "CAPS"		<u>3,001,014.32</u>	<u>3,001,014.32</u>	<u>2,585,797.14</u>	<u>415,217.18</u>	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

	Current Fund				Unexpended
	Ref.	Budget	Budget After Modification	Paid or Charged	Balance Canceled
				Reserved	
Year Ended December 31, 2016					
<u>General Appropriations</u>					
Operations - Excluded From "CAPS"		172,284.01	172,284.01	157,654.84	14,629.17
Maintenance of Free Public Library					
Other Expenses		35,468.00	35,468.00	29,400.09	6,067.91
Employee Group Health Insurance					
Other Expenses		10,000.00	10,000.00		10,000.00
Reserve for Tax Appeals					
Other Expenses		217,752.01	217,752.01	187,054.93	30,697.08
Total Other Operations - Excluded From Caps					
Shared Service Agreements		2,312,665.00	2,312,665.00	2,312,665.00	
Shared Police Services - Washington Twp		196,269.88	196,269.88	196,269.88	
Shared Court Services - Mansfield		2,508,934.88	2,508,934.88	2,508,934.88	
Total Shared Service Agreements					
Public and Private Programs Offset By Revenues					
Recycling Tonnage Grant			3,604.65	3,604.65	
Clean Communities			17,393.03	17,393.03	
Municipal Alliance:					
State Share		2,000.00	21,551.00	21,551.00	
Local Share			2,000.00	2,000.00	
NJ DOT Municipal Aid - N. Lincoln Ave			50,000.00	50,000.00	
Risk Control Grant			2,406.51	2,406.51	
Sustainable Jersey			2,000.00	2,000.00	
Total Public and Private Programs Offset		2,000.00	98,955.19	98,955.19	
By Revenues					

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
<u>General Appropriations</u>						
Total Operations - Excluded from "CAPS"	A-1	2,728,686.89	2,825,642.08	2,794,945.00	30,697.08	
Detail:						
Other Expenses		2,728,686.89	2,825,642.08	2,794,945.00	30,697.08	
Capital Improvements - Excluded From "CAPS"						
Capital Improvements - Recreation		410,000.00	410,000.00	410,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	410,000.00	410,000.00	410,000.00		
Municipal Debt Service - Excluded From "CAPS"						
Payment of Bond Principal		595,000.00	595,000.00	595,000.00		741.50
Interest on Bonds		256,000.00	256,000.00	255,258.50		873.37
Loan Repayment for Principal and Interest		39,706.00	39,706.00	38,832.63		1,614.87
Total Municipal Debt Service-Excluded from "CAPS"	A-1	890,706.00	890,706.00	889,091.13		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		4,029,392.89	4,126,348.08	4,094,036.13	30,697.08	1,614.87
Total General Appropriations - Excluded From "CAPS"		4,029,392.89	4,126,348.08	4,094,036.13	30,697.08	1,614.87
Subtotal General Appropriations		7,030,407.21	7,127,362.40	6,679,833.27	445,914.26	1,614.87
Reserve for Uncollected Taxes		891,424.00	891,424.00	891,424.00		
Total General Appropriations		7,921,831.21	8,018,786.40	7,571,257.27	445,914.26	1,614.87

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
<u>General Appropriations</u>						
<u>Analysis of Modified Budget</u>						
Adopted Budget	A-2		7,921,831.21			
Appropriation by 40A:4-87	A-2		96,955.19			
			<u>8,018,786.40</u>			
<u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			891,424.00		
Cash Disbursed	A-4			6,580,878.08		
Federal & State Grants (Matching Funds)	A-12			2,000.00		
Interfund - Federal and State Grant Fund	A-22			96,955.19		
				<u>7,571,257.27</u>		
<u>Analysis of Appropriation Reserve</u>						
Unencumbered	A				343,001.51	
Encumbered	A				102,912.75	
					<u>445,914.26</u>	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Comparative Balance Sheet - Regulatory Basis

Trust Funds
December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Assessment Trust Fund			
Cash	B-2	2,749.34	2,749.34
Animal Control Trust Fund:			
Cash- Treasurer	B-2	19,879.97	12,988.97
Due from the State of New Jersey	B-7	0.40	8.80
		19,880.37	12,997.77
Other Trust Funds:			
Cash	B-2	1,582,278.64	1,608,682.89
Interfund - Current Fund	B-5	74,869.90	1,616.36
		1,657,148.54	1,610,299.25
		1,679,778.25	1,626,046.36

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

<u>Liabilities, Reserves & Fund Balance</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Assessment Trust Fund:			
Prepaid Assessments	B-9	1,488.20	1,488.20
Fund Balance	B-1	1,261.14	1,261.14
		2,749.34	2,749.34
Animal Control Trust Fund:			
Reserve for Animal Control Trust			
Fund Expenditures	B-3	17,782.00	12,118.65
Encumbrances	B-4	1,896.00	879.12
Interfund - Current Fund	B-5	202.37	
		19,880.37	12,997.77
Other Trust Fund:			
Encumbrances Payable	B-6	14,791.99	2,697.34
Reserve for:			
Escrow Deposits	B-8	854,413.34	913,908.70
POAA	B-8	2,215.78	2,144.78
Recreation	B-8	60,744.28	26,761.95
Tax Sale Premiums	B-8	559,400.00	486,400.00
Public Defender	B-8	174.00	281.00
Fire Safety Bureau Trust	B-8	4,624.40	4,482.40
WBFD Dedicated Penalty Trust	B-8	55.56	55.56
C.O.A.H.	B-8	3,067.99	4,635.53
Unemployment	B-8	74,982.65	72,677.17
Payroll	B-8	10,885.76	12,919.76
Comcast	B-8	227.66	5,037.92
Snow Removal	B-8	62,527.64	75,324.53
Senior Activity	B-8	1,687.84	589.00
Outside Liens	B-8	1,835.52	1,869.48
Salary Settlements	B-8	5,514.13	514.13
		1,657,148.54	1,610,299.25
		1,679,778.25	1,626,046.36

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Statement of Fund Balance - Assessment Trust - Regulatory Basis

Trust Funds

Year Ended December 31,

		<u>2016</u>	<u>2015</u>
	<u>Ref.</u>		
Balance - January 1,	B	<u>1,261.14</u>	<u>1,261.14</u>
Balance - December 31,	B	<u>1,261.14</u>	<u>1,261.14</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Cash	C-2;C-3	345,871.39	399,551.83
Deferred Charges to Future Taxation			
Funded	C-5	6,784,818.07	7,413,241.93
		<u>7,130,689.46</u>	<u>7,812,793.76</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Encumbrances Payable	C-4	76,862.13	226,645.24
Capital Improvement Fund	C-6	90,548.10	101,091.00
Improvement Authorizations:			
Funded	C-7	136,063.96	29,418.39
Green Acres Loan Payable	C-8	288,818.07	322,241.93
Reserve for:			
Debt Service	C-9	407.42	407.42
Generator	C-9	37,000.00	37,000.00
General Serial Bonds Payable	C-10	6,496,000.00	7,091,000.00
Fund Balance	C-1	4,989.78	4,989.78
		<u>7,130,689.46</u>	<u>7,812,793.76</u>

Footnote C: There were no Bonds and Notes Authorized But Not Issued as of December 31, 2016 and 2015

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Schedule of Fund Balance - Regulatory Basis

General Capital Fund

Year Ended December 31,

		<u>2016</u>	<u>2015</u>
	<u>Ref.</u>		
Balance - January 1,	C	<u>4,989.78</u>	14,989.78
Decreased by:			
Anticipated As Current Fund Revenue			<u>10,000.00</u>
			<u>10,000.00</u>
Balance - December 31,	C	<u>4,989.78</u>	<u>4,989.78</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	2,882,131.26	2,547,358.24
Change Fund	D-7	75.00	75.00
		<u>2,882,206.26</u>	<u>2,547,433.24</u>
Interfund Receivable:			
Current Fund	D-11		149.46
Receivables with Full Reserves:			
Consumer Accounts	D-8	297,422.39	283,852.17
Sewer Liens	D-9	34,446.55	24,919.22
		<u>331,868.94</u>	<u>308,771.39</u>
Total Operating Fund		<u>3,214,075.20</u>	<u>2,856,354.09</u>
Capital Fund:			
Cash	D-5;D-6	424,170.48	551,841.74
Fixed Capital*	D-12	17,852,579.71	17,852,579.71
Fixed Capital Authorized and Uncompleted*	D-13	200,000.00	200,000.00
Total Capital Fund		<u>18,476,750.19</u>	<u>18,604,421.45</u>
Total Assets		<u>21,690,825.39</u>	<u>21,460,775.54</u>

* The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve:			
Unencumbered	D-4;D-14	278,499.00	189,698.52
Encumbered	D-4;D-14	35,880.77	98,858.37
		<u>314,379.77</u>	<u>288,556.89</u>
Prepaid Sewer Charges	D-10	15,024.33	9,879.92
Accounts Payable	D-15	5,500.00	4,000.00
Accrued Interest	D-16	72,238.30	72,588.25
Overpayment of Sewer Charges	D-19	11,924.40	7,097.10
		<u>419,066.80</u>	<u>382,122.16</u>
Reserve for Receivables	Contra	331,868.94	308,771.39
Fund Balance	D-1	2,463,139.46	2,165,460.54
Total Operating Fund		<u>3,214,075.20</u>	<u>2,856,354.09</u>
Capital Fund:			
Improvement Authorization			
Funded	D-17	72,438.74	200,000.00
Reserve for:			
Capital Outlay	D-18	240,000.00	240,000.00
Capital Improvement Fund	D-20	101,785.22	101,785.22
Reserve for Amortization	D-21	16,437,275.33	15,591,272.38
Reserve for Encumbrances	D-22	240.00	350.00
Deferred Reserve For Amortization	D-23	200,000.00	200,000.00
NJIT Wastewater Loans Payable	D-24	1,257,304.38	2,023,307.33
Serial Bonds Payable	D-25	158,000.00	238,000.00
Fund Balance	D-2	9,706.52	9,706.52
		<u>18,476,750.19</u>	<u>18,604,421.45</u>
Total Liabilities, Reserves and Fund Balances		<u>21,690,825.39</u>	<u>21,460,775.54</u>

Footnote D: There were no Bonds and Notes Authorized But Not Issued at December 31, 2016 and 2015.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Sewer Utility Operating Fund

Years Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:			
Surplus	D-1;D-3	214,645.66	281,510.00
Rents	D-3	2,309,675.11	2,370,344.49
Miscellaneous	D-3	28,964.61	23,000.00
Reserve Capacity Charges	D-3	16,926.00	14,310.14
Industrial/Commercial Permit Fees	D-3	16,474.00	16,474.00
Non-Budget Revenues	D-3	177,046.43	196,492.26
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-14	211,238.43	259,140.57
Accounts Payable Cancelled			1,500.00
Total Income		<u>2,974,970.24</u>	<u>3,162,771.46</u>
Expenditures:			
Operating	D-4	1,310,587.00	1,265,210.00
Capital Improvements			200,000.00
Debt Service	D-4	937,413.00	943,369.59
Deferred Charges and			
Statutory Expenditures	D-4	9,645.66	7,500.00
Surplus (General Budget)	D-4	205,000.00	
Lien redemption Balance			1,467.55
Total Expenditures		<u>2,462,645.66</u>	<u>2,417,547.14</u>
Excess (Deficit) in Revenue over Expenditures		<u>512,324.58</u>	<u>745,224.32</u>
Fund Balance - January 1,	D-1	<u>2,165,460.54</u>	<u>1,701,746.22</u>
		<u>2,677,785.12</u>	<u>2,446,970.54</u>
Decreased by:			
Utilized as Anticipated Revenue		<u>214,645.66</u>	<u>281,510.00</u>
Fund Balance - December 31,	D	<u>2,463,139.46</u>	<u>2,165,460.54</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Statement of Fund Balance - Regulatory Basis

Sewer Utility Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Balance - January 31,	D	<u>9,706.52</u>	<u>9,706.52</u>
Balance - December 31,	D	<u>9,706.52</u>	<u>9,706.52</u>

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Statement of Revenues - Regulatory Basis

Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	214,645.66	214,645.66	
Rents	D-1;D-8	2,200,000.00	2,309,675.11	109,675.11
Miscellaneous	D-1;D-5	23,000.00	28,964.61	5,964.61
Reserve Capacity Charges	D-1;D-5	9,000.00	16,926.00	7,926.00
Industrial/Commercial Permit Fees	D-1;D-5	16,000.00	16,474.00	474.00
Non-Budget Revenues	D-1;D-5		177,046.43	177,046.43
Budget Totals		<u>2,462,645.66</u>	<u>2,763,731.81</u>	<u>301,086.15</u>

Analysis of Miscellaneous Revenue

Interest on Investments:

Miscellaneous	263.11
Tax Sale Costs	2,685.82
Discharge Permit Fees	8,000.00
Infrastructure Trust Loan Credits	163,477.54
Interest on Investments	2,619.96

D-3

177,046.43

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Expenditures - Regulatory Basis

Sewer Operating Fund

Year Ended December 31, 2016

	Ref.	Budget	Appropriated	Budget After Modification	Paid or Charged	Expended	Reserved
Operating:							
Salaries and Wages		126,087.00		126,087.00	81,500.17	44,586.83	
Other Expenses		1,184,500.00		1,184,500.00	918,117.96	266,382.04	
Total Operating	D-1	1,310,587.00		1,310,587.00	999,618.13	310,968.87	
Debt Service:							
Payment of Bond Principal		80,000.00		80,000.00	80,000.00		
Interest on Bonds		8,910.00		8,910.00	8,910.00		
Infrastructure Trust Principal and Interest		848,503.00		848,503.00	848,503.00		
Total Debt Service	D-1	937,413.00		937,413.00	937,413.00		
Deferred Charges and Statutory Expenditures							
Statutory Expenditures:							
Contribution to:							
Social Security System (O.A.S.I.)		9,645.66		9,645.66	6,234.76	3,410.90	
Total Deferred Charges and Statutory Expenditures	D-1	9,645.66		9,645.66	6,234.76	3,410.90	
Surplus (General Budget)	D-1	205,000.00		205,000.00	205,000.00		
		205,000.00		205,000.00	205,000.00		
Total Sewer Utility Appropriations		2,462,645.66		2,462,645.66	2,148,265.89	314,379.77	
Analysis of Paid or Charged							
Cash Disbursed	D-5				2,056,855.84		
Accrued Interest	D-16				91,410.05		
					2,148,265.89		
Analysis of Appropriations Reserved							
Unencumbered	D					278,499.00	
Encumbered	D					35,880.77	
						314,379.77	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31,

(Unaudited)

	Balance <u>Dec. 31, 2016</u>	Balance <u>Dec. 31, 2015</u>
<u>General Fixed Assets:</u>		
Land / Land Improvements		
Buildings	5,909,492.38	5,632,592.38
Machinery and Equipment	<u>4,032,089.10</u>	<u>3,954,612.00</u>
	<u>9,941,581.48</u>	<u>9,587,204.38</u>
Investment in Fixed Assets	<u>9,941,581.48</u>	<u>9,587,204.38</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

BOROUGH OF WASHINGTON, N.J.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounts principles (GAAP).

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

A. Reporting Entity

The Borough of Washington (the "Borough") is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Washington include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Washington, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Washington do not include operations of the library, first aid squads, local or regional school districts, inasmuch as their activities are administered by separate boards.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will, by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer Fire Department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

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

The Borough has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

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

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

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

Sewer Utility Operating and Sewer Capital Fund - This fund was used to account for the operations and acquisition of capital facilities of the municipally owned Sewer Utility.

General Fixed Assets Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Washington. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditure are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remain in arrears on the 11th day of the 11th month of the fiscal year levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Budgets and Budgetary Accounting

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

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

Animal Control Trust Fund
General Capital Fund
Sewer Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During the year several budget transfers were approved by the governing body.

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

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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

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

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by NJSA 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

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

General Fixed Assets - The Borough of Washington has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs from generally accepted accounting principles

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital funds until such time as the construction is completed and put into operation.

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

GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements (continued)

Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, Tax Abatement Disclosures, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, Blending Requirements for Certain Component Units, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Borough does not believe this Statement will have any effect on future financial statements.

BOROUGH OF WASHINGTON, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements (continued)

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Borough does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

C. Basic Financial Statements

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 statutory budget included a reserve for uncollected taxes in the amount of \$891,424.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 statutory budget was \$878,000.00.

Interdepartment budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Borough Council.

BOROUGH OF WASHINGTON, NJ

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

NOTE 2: BUDGETARY INFORMATION (CONTINUED)

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. There were items of revenue and appropriation inserted into the annual budget for 2016; Clean Communities Grant for \$17,393,03; Municipal Alliance Grant for \$21,551.00; Recycling Tonnage Grant for \$3,604.65; NJ DOT - Municipal Aid - N. Lincoln Ave. For \$50,000.00; Sustainable Jersey for \$2,000.00 and Risk Control for \$2,406.51.

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

NOTE 3: FIXED ASSETS (UNAUDITED)

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

	<u>Balance as of Dec. 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of Dec. 31, 2016</u>
Land, Land Improvements, & Buildings	\$5,632,592.88	\$275,900.00	\$ -	\$5,909,492.38
Machinery & Equipment	<u>3,954,612.00</u>	<u>77,477.10</u>	<u>-</u>	<u>4,032,089.10</u>
	<u>\$9,587,204.38</u>	<u>\$354,377.10</u>	<u>\$ -</u>	<u>\$9,941,581.48</u>

NOTE 4: MUNICIPAL DEBT

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

BOROUGH OF WASHINGTON, NJ

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

NOTE 4: MUNICIPAL DEBT (CONTINUED)

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
General:			
Bonds, Notes & Loans	\$6,784,818.07	\$7,413,241.93	\$ 8,016,007.20
Sewer Utility:			
Bonds, Notes & Loans	<u>1,415,304.38</u>	<u>2,261,307.33</u>	<u>3,078,026.92</u>
Total Issued	<u>8,200,122.45</u>	<u>9,674,549.26</u>	<u>11,094,034.12</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	-	-	-
Sewer Utility:			
Bonds and Notes	<u>-</u>	<u>-</u>	<u>-</u>
Total Authorized But Not Issued	<u>-</u>	<u>-</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$8,200,122.45</u>	<u>\$9,674,549.26</u>	<u>\$11,094,034.12</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 statement net debt of 1.527%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 6,784,818.07	\$ 407.42	\$6,784,410.65
Sewer Utility Debt	1,415,304.38	1,415,304.38	-
Local and Regional School District Debt	<u>21,254,000.00</u>	<u>21,254,000.00</u>	<u>-</u>
	<u>\$29,454,122.45</u>	<u>\$22,669,711.80</u>	<u>\$6,784,410.65</u>

Net Debt \$6,784,410.65 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, 444,238,449.68 = 1.527%.

BOROUGH OF WASHINGTON, NJ

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

NOTE 4: MUNICIPAL DEBT (CONTINUED)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

3 ½% of Equalized Valuation Basis (Municipal)	\$15,548,345.74
Net Debt	<u>6,784,410.65</u>
Remaining Borrowing Power	<u>\$ 8,763,935.09</u>

ANALYSIS OF AVERAGE EQUALIZED VALUATION

2016	444,238,449.68	
2015		445,360,145.67
2014		455,756,543.00

School Debt Deduction

School Debt is deductible up to the extent of 2.5% of the Average Equalized Assessed Valuation of real property for the Local and Regional School Districts.

CALCULATION OF "SELF-LIQUIDATING PURPOSE" SEWER UTILITY PER N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year		\$2,763,731.81
Operating And Maintenance Costs	\$1,320,232.66	
Debt Service	<u>937,413.00</u>	
		<u>2,257,645.66</u>
Excess in Revenue		<u>\$ 506,086.15</u>

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 forgoing debt information is not in agreement with the Annual Debt Statement filed by the Chief Financial Officer. A updated copy will be filed.

The Borough's debt issued and outstanding on December 31, 2016 is as follows:

BOROUGH OF WASHINGTON, NJ

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

NOTE 4: MUNICIPAL DEBT (CONTINUED)

General Capital Fund:

\$328,750.00 Green Acres Trust Loan - dated October 17, 2002 with New Jersey Department of Environmental Protection. This loan is payable in semi-annual installments through July 2022. Interest is paid semi-annually at a rate of 2.00% per annum. The balance remaining as of December 31, 2016 was \$115,042.33.

\$283,200.00 Green Acres Trust Loan - dated March 4, 2009 with New Jersey Department of Environmental Protection. This loan is payable in semi-annual installments through December 31, 2026. Interest is paid semi-annually at a rate of 2.00% per annum. The balance remaining as of December 31, 2016 was \$173,775.84.

General Serial Bonds - \$5,590,000.00 of 2008 General Improvement Bonds - dated March 12, 2008. This bond is payable in annual installments through March 1, 2022. The interest is payable annually at variable interest rates. The balance remaining as of December 31, 2016 was \$4,480,000.00.

General Improvement Bonds - \$2,706,000.00 of 2012 General Improvement Bonds - dated April 1, 2012. This bond is payable in annual installments through April 1, 2027. The interest is payable semi-annually at various rates from 2.00-2.60% per annum. The balance remaining as of December 31, 2016 was \$2,016,000.00.

Sewer Utility Capital Fund:

Wastewater Treatment Loans:

\$7,060,000.00 of 1998 Trust Loan dated August 1, 1998. This loan is payable in annual installments of \$425,000.00 to \$575,000.00 through August 2017. Interest is calculated at 5.00% and is included in the annual installments. The remaining balance as of December 31, 2016 was \$575,000.00.

\$1,075,000.00 of 1998 Trust Loan dated August 1, 1998. This loan is payable in annual installments of \$65,000.00 to \$85,000.00 through August 2017. Interest is calculated at 5.00% and is included in the annual installments. The remaining balance as of December 31, 2016 was \$85,000.00.

\$790,000.00 of 2002 Trust Loan dated October 15, 2002. This loan is payable in annual installments of \$35,000.00 to \$60,000.00 through August 2022. Interest is calculated at variable interest rates and is included in the annual installments. The remaining balance as of December 31, 2016 was \$330,000.00.

BOROUGH OF WASHINGTON, NJ

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

NOTE 4: MUNICIPAL DEBT (CONTINUED)

Sewer Utility Fund: (continued)

Wastewater Treatment Loans: (continued)

\$1,014,350.00 of 1998 Fund Loan dated August 1, 1998. This loan is payable in annual installments of \$11,047.73 to \$55,622.13 through August 2017. The remaining balance as of December 31, 2016 was \$11,047.75

\$835,741.00 of 2002 Fund Loan dated October 15, 2002. This loan is payable in annual installments of \$41,418.99 to \$44,186.70 through August 2022. The remaining balance as of December 31, 2016 was \$256,256.63.

Sewer Revenue Bonds:

\$728,828.00 of 2008 Sewer Bonds dated March 12, 2008. This loan is payable in annual installments of \$78,000.00 to \$80,000.00 through March 1, 2018. Interest is calculated at variable interest rates and is included in the annual installments. The remaining balance as of December 31, 2016 was \$158,000.00.

The Borough's long term debt consisted of the following at December 31, 2016:

General Obligation Bonds & Loan from the General Capital Account	\$6,784,818.07
Sewer Utility Loan from the Sewer Utility Capital Account	<u>1,415,304.38</u>
	<u>\$8,200,122.45</u>

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT ISSUED
AND OUTSTANDING DECEMBER 31, 2016**

Calendar Year	<u>General</u>		<u>Sewer Utility</u>		<u>Yearly Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	769,095.68	238,315.23	844,773.14	54,660.00	1,613,868.82	292,975.23
2018	799,781.01	207,879.91	170,077.87	15,605.00	969,858.88	223,484.91
2019	910,480.10	173,405.81	98,725.39	11,350.00	1,009,205.49	184,755.81
2020	1,011,193.26	134,192.67	96,913.11	8,600.00	1,108,106.37	142,792.67
2021	1,011,920.74	92,715.18	103,395.88	5,850.00	1,115,316.62	98,565.18
2022-2026	2,061,347.28	123,530.09	101,418.99	2,850.00	2,162,766.27	126,380.09
2027	<u>221,000.00</u>	<u>2,873.00</u>			<u>221,000.00</u>	<u>2,873.00</u>
Total	<u>6,784,818.07</u>	<u>972,911.89</u>	<u>1,415,304.38</u>	<u>98,915.00</u>	<u>8,200,122.45</u>	<u>1,071,826.89</u>

BOROUGH OF WASHINGTON, NJ

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

NOTE 4: MUNICIPAL DEBT (CONTINUED)

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

	<u>Balance Dec. 31, 2015</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2016</u>	<u>Amount Due Within One Year</u>
General Capital Fund:				
General Serial Bonds	\$7,091,000.00	\$595,000.00	\$6,496,000.00	\$ 735,000.00
Green Acres Trust Fund	<u>322,241.93</u>	<u>33,423.86</u>	<u>288,818.07</u>	<u>34,095.68</u>
	<u>\$7,413,241.93</u>	<u>\$628,423.86</u>	<u>\$6,784,818.07</u>	<u>\$ 769,095.68</u>
Sewer Capital Fund:				
General Serial Bonds	\$ 238,000.00	\$ 80,000.00	\$ 158,000.00	\$80,000.00
Waste Sewer Loans	<u>2,023,307.33</u>	<u>766,002.95</u>	<u>1,257,304.38</u>	<u>764,777.14</u>
	<u>2,261,307.33</u>	<u>846,002.95</u>	<u>1,415,304.38</u>	<u>844,777.14</u>
Compensated Absences Payable	<u>111,903.18</u>	<u>2,912.62 (1)</u>	<u>108,990.56</u>	<u>-</u>
	<u>\$9,786,452.44</u>	<u>\$1,477,339.43</u>	<u>\$8,309,113.01</u>	<u>\$1,613,872.82</u>

(1) Net of days allowed and days used

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current Fund	<u>\$912,500.00</u>	<u>\$878,000.00</u>
Sewer Utility Operating	<u>\$238,972.14</u>	<u>\$214,645.66</u>

BOROUGH OF WASHINGTON, NJ

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

NOTE 6: TAXES COLLECTED IN ADVANCE

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

	<u>Balance Dec 31, 2016</u>	<u>Balance Dec 31, 2015</u>
Prepaid Taxes	<u>\$133,868.49</u>	<u>\$93,249.20</u>
Cash Liability for Taxes Collected in Advance	<u>\$133,868.49</u>	<u>\$93,249.20</u>

NOTE 7: LOCAL AND REGIONAL DISTRICT SCHOOL 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 Washington has elected to defer school taxes.

	<u>Balance December 31, 2016</u>	<u>Balance December 31, 2015</u>
<u>Local District School Tax</u>		
Balance of Tax	\$2,395,719.23	\$2,277,172.75
Deferred	<u>2,302,957.14</u>	<u>2,058,701.16</u>
School Tax Payable	<u>92,762.09</u>	<u>218,471.59</u>
<u>Regional High School Tax</u>		
Balance of Tax	2,313,644.80	2,121,426.60
Deferred	<u>2,126,628.50</u>	<u>1,998,813.00</u>
School Tax Payable	<u>\$ 187,016.30</u>	<u>\$ 61,306.80</u>

NOTE 8: PENSION PLAN

Description of Plans:

Borough employees participate in the State of New Jersey Public Employees' Retirement System (PERS), a contributory defined benefit public employee retirement system; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

BOROUGH OF WASHINGTON, NJ

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

NOTE 8: PENSION PLAN (CONTINUED)

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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 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.

Defined Contribution Retirement Program

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, 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.

BOROUGH OF WASHINGTON, NJ

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

NOTE 8: PENSION PLAN (CONTINUED)

Police and Firemens' Retirement System (PFRS), (continued)

Defined Contribution Retirement Program (continued)

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 expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2016	\$101,017.00	\$2,906.71
2015	95,545.00	2,952.63
2014	100,556.00	3,676.63

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

BOROUGH OF WASHINGTON, NJ

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

NOTE 8: PENSION PLAN (CONTINUED)

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

Public Employees Retirement System (PERS)

At December 31, 2016, the Borough had a liability of \$3,150,688.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 governmental entities, actuarially determined. At June 30, 2016, the Borough's proportion was 0.010638059400 percent, which was an increase/(decrease) of 0.0007556748 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Borough recognized pension expense of \$101,017.00. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 58,593.00	\$ -
Changes of assumptions	652,654.00	-
Net difference between projected and actual earnings on pension plan investments	120,139.00	-
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	148,874.00	166,389.00
Borough contributions subsequent to the measurement date	<u>111,097.00</u>	<u>-</u>
Total	<u>\$1,091,357.00</u>	<u>\$166,389.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2016) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$187,179.00
2018	187,179.00
2019	216,853.00
2020	182,188.00
2021	57,989.00

BOROUGH OF WASHINGTON, NJ

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

NOTE 8: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts respectively.

Additional Information

Local Group Collective balances at June 30, 2016 and June 30, 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$8,685,338,380	\$3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
Borough s Proportion	0.0106380590%	0.0098823842%

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 rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

BOROUGH OF WASHINGTON, NJ

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

NOTE 8: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 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.

Mortality Rates

Pre-mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females.)

Long-Term Rate of Return

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

BOROUGH OF WASHINGTON, NJ

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

NOTE 8: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	.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 Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. 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% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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 WASHINGTON, NJ

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

NOTE 8: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

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

	<u>June 30, 2016</u>		
	<u>1%</u> Decrease	<u>At Current</u> Discount Rate	<u>1%</u> Increase
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Borough's proportionate share of the pension liability	\$3,860,800	\$3,150,688	\$2,564,429

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

NOTE 9: ACCRUED SICK AND VACATION BENEFITS

The Borough of Washington has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the current cost of such unpaid compensation would be approximately \$108,990.56. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used.

BOROUGH OF WASHINGTON, NJ

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

NOTE 10: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2016, \$-0- of the Borough's bank balance of \$8,350,939.27 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the Borough is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2016 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

BOROUGH OF WASHINGTON, NJ

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

NOTE 12: PUBLIC ASSISTANCE

The Borough of Washington has elected to have the County of Warren process all public assistance granted to the residents. Therefore, the Borough of Washington no longer has a public assistance director.

NOTE 13: HEALTH INSPECTIONS

The Borough of Washington has elected to have the County of Warren, Department of Health, do all the health inspections. Therefore, the Borough does not have a health inspector.

NOTE 14: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2016 consist of the following:

\$ 202.37	Due to Current Fund from Animal Control Trust Fund for statutory excess in Animal Control Trust Reserve.
<u>74,869.90</u>	Due to Other Trust Fund from Current Fund for disbursements in the Current Fund.
<u>\$75,072.27</u>	

It is anticipated that all interfunds will be liquidated during the calendar year.

BOROUGH OF WASHINGTON, NJ

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

NOTE 15: CONTINGENT LIABILITIES

The Borough of Washington counsel advises us of the following:

1. There are various claims, by persons who have asserted tort claims, which have been turned over to the Insurance Company.
2. There are various tax appeals.
3. Currently pending is one (1) Superior Court matter and four (4) separate Government Records Council (GRC) complaints. Claims are made that the Borough violated the Open Public Records Act on various occasions, mostly from November 2015 through January of 2016, after voluminous OPRA requests were made to the Borough. The Borough contends that the requests were retaliatory in nature. The claims, if successful, would entitle the claimant attorney fees for each separate action. As of June 7, 2016, the Borough received judgements in its favor with respect to the two (2) Superior Court actions and the claim for fees was denied. The claimant appealed only one of those matters. With respect to the GRC matters, the outcome of those claims will not be known for at least a few months and that a worst case scenario would be allowing reimbursement of attorney fees. The Borough attorney does not believe the claimant is likely to prevail on all four GRC matters, however, they did note that the Borough's legal defense is not covered by insurance.
4. The Borough is also party to the ongoing COAH Affordable Housing litigation.

NOTE 16: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through June 16, 2017, the date which the financial statements were available to be issued and no other items were noted for disclosure.

BOROUGH OF WASHINGTON, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2016

The following Officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Scott McDonald	Mayor	*
Michael Heinrich	Deputy Mayor	*
Ethel Conry	Councilperson	*
David Higgins	Councilperson	*
Robin Klimko	Councilperson	*
Josephine Noone	Councilperson	*
Richard Thompson	Councilperson	*
Kristine Blanchard	Manager to 7/22/2016; Municipal Clerk; Registrar to 7/12/2016;	*
Jasmine Lim	Acting Manager from 8/2/2016 to 11/3/2016	*
Matthew Hall	Manager from 11/3/2016	*
Ann Kilduff	Municipal Clerk from 7/15/2016	*
Natasha Turchan	CFO; Tax Collector	*
Rudy Bescherer	Code Enforcement Officer	*
Ryan Riccio	Tax Assessor	*
David Allin	Fire Office to 3/11/2016	*
Matthew Lopez	Fire Office from 3/7/2016	*
Kimberly Bennett	Animal Control Officer	*
Mike Finelli	Engineer	
Richard P. Cushing, Esq.	Attorney	
Scott Willhelm	Public Defender	
Thomas M. Ferry, C.P.A., R.M.A.	Auditor	

* Public Employees Dishonesty Blanket Bond is in force covering each employee for \$1,000,000.00 issued by Fidelity and Deposit Company of Maryland, Statewide Insurance Fund, named insurer.

SUPPLEMENTARY DATA

Borough of Washington

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	C.F.D.A Number	Federal Award Amount	Grant Period From/To	12/31/2015		Purchase Order Adjustment	12/31/2016		MEMO Cumulative Total Expenditures
				Reserve Balance	Expended		Reserve Balance	Expended	
<u>FEDERAL AND STATE GRANT FUND</u>									
Department of Housing & Urban Development									
Pass Through State of New Jersey									
Department of Community Affairs									
Small Cities Program	14.228	495,000.00	2/1/12-1/13/14	198.02	-	-	198.02	198.02	494,801.98
				198.02	-	-	198.02	198.02	494,801.98
<u>FEDERAL AND STATE GRANT FUND</u>									
				198.02	-	-	198.02	198.02	494,801.98
<u>TOTAL FEDERAL AID</u>									

Note: This schedule was not subject to an audit in accordance with The Uniform Guidance.

Borough of Washington
 Schedule of Expenditures of State Awards
 For the Year Ended December 31, 2016

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2015		Purchase Order Adjustment	Expended	Receipts	Reserve Cancelled	12/31/2016		MEMO Cumulative Total Expenditures
				Reserve Balance	Receivable					Receivable	Balance	
FEDERAL AND STATE GRANT FUND												
Department of Solid Waste Administration:												
Clean Communities	4900-765-042-4900-004-V42Y-6020	12,470.90	1/1/14-12/31/14		6,743.36		6,743.36					
Clean Communities	4900-765-042-4900-004-V42Y-6020	15,157.23	1/1/15-12/31/15		15,157.23		15,157.23					
Clean Communities	4900-765-042-4900-004-V42Y-6020	17,393.03	1/1/16-12/31/16		17,393.03		17,393.03					16,617.40
					21,902.59		22,678.22					16,617.40
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	4,215.33	1/1/13-12/31/13		2,255.21		2,255.21					
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	4,160.91	1/1/14-12/31/14		4,160.91		2,431.63					1,729.28
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	3,604.65	1/1/16-12/31/16		3,604.65		3,604.65					3,604.65
					6,416.12		4,686.84					5,333.93
					28,318.71		27,365.06					21,951.33
Total NJ Department of Solid Waste Administration:												
Highlands Water Protection and Planning Council:												
Highlands Water Protection & Planning Council	09-032-012-2121	5,000.00	1/1/10-12/31/10		(5,000.00)						(5,000.00)	2,700.00
					(5,000.00)						(5,000.00)	2,700.00
Department of Community Affairs:												
Municipal Alliance *		18,077.00	1/1/15-12/31/15		(8,433.34)		2,680.72				(8,433.34)	1,729.28
Municipal Alliance *		18,077.00	1/1/16-12/31/16		(8,433.34)		3,716.19				(11,568.48)	14,500.81
Total Department of Community Affairs							6,396.91				(13,001.82)	14,500.81
Department of Transportation:												
Beethoven Avenue	6320-480-078-6320-AJQ	140,000.00	Continuous		5,960.55		50,000.00					5,960.55
N. Lincoln Avenue	6320-480-078-6320-AJW	50,000.00	Continuous		5,960.55		50,000.00					5,960.55
Total Department of Transportation												
Department of Law and Public Safety:												
Alcohol Education and Rehabilitation Fund	9733-760-098-4900-001-X100-6020	3,833.16	2002 and Prior		2,899.16							2,899.16
Alcohol Education and Rehabilitation Fund	9733-760-098-4900-001-X100-6020	375.00	2004 and Prior		347.21							347.21
Total Department of Law and Public Safety												3,246.37
TOTAL FEDERAL AND STATE GRANT FUND - STATE AID							83,621.97				(20,001.82)	48,359.06
TOTAL STATE AID							83,621.97				(20,001.82)	48,359.06

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	878,000.00	4.31%	807,225.42	4.05%
Miscellaneous - From Other Than				
Local Property Tax Levies	1,150,172.61	5.64%	956,482.70	4.80%
Collection of Delinquent Taxes				
and Tax Title Liens	461,653.78	2.26%	786,943.65	3.95%
Collection of Current				
Tax Levy	17,486,197.24	85.76%	17,098,092.46	85.73%
Other Credits to Income	413,700.76	2.03%	295,893.00	1.48%
	<u>20,389,724.39</u>	<u>100.00%</u>	<u>19,944,637.23</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	7,125,747.53	37.05%	6,792,855.84	35.83%
Local and Regional School Taxes	8,776,533.52	45.63%	8,658,020.00	45.67%
County Taxes	3,130,520.47	16.27%	3,231,532.68	17.05%
Special Improvement District Tax	200,000.00	1.04%	200,000.00	1.05%
Other Expenditures	2,427.37	0.01%	75,758.90	0.40%
	<u>19,235,228.89</u>	<u>100.00%</u>	<u>18,958,167.42</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	1,154,495.50		986,469.81	
Fund Balance, January 1,	1,684,268.18		1,505,023.79	
	<u>2,838,763.68</u>		<u>2,491,493.60</u>	
Less:				
Utilized as Anticipated Revenue	878,000.00		807,225.42	
Fund Balance, December 31,	<u>1,960,763.68</u>		<u>1,684,268.18</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

SEWER UTILITY OPERATING FUND

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	214,645.66	7.22%	281,510.00	8.90%
Rents	2,309,675.11	77.64%	2,370,344.49	74.95%
Miscellaneous	28,964.61	0.97%	23,000.00	0.73%
Reserve Capacity Charges	16,926.00	0.57%	14,310.14	0.45%
Industrial/Commercial Permit Fees	16,474.00	0.55%	16,474.00	0.52%
Other Credits to Income	388,284.86	13.05%	457,132.83	14.45%
<u>Total Revenue and Other Income Realized</u>	<u>2,974,970.24</u>	<u>100.00%</u>	<u>3,162,771.46</u>	<u>100.00%</u>
 <u>Expenditures</u>				
Budget Expenditures:				
Operating	1,310,587.00	53.22%	1,265,210.00	52.33%
Capital Improvements	-	0.00%	200,000.00	8.27%
Debt Service	937,413.00	38.07%	943,369.59	39.02%
Deferred Charges and Statutory Expenditures	9,645.66	0.39%	7,500.00	0.31%
Other Expenses	205,000.00	8.32%	1,467.55	0.06%
<u>Total Expenditures</u>	<u>2,462,645.66</u>	<u>100.00%</u>	<u>2,417,547.14</u>	<u>100.00%</u>
 Statutory Excess to Fund Balance	 512,324.58		 745,224.32	
 Fund Balance, January 1,	 <u>2,165,460.54</u>		 <u>1,701,746.22</u>	
	2,677,785.12		2,446,970.54	
Less:				
Utilized as Anticipated Revenue	<u>214,645.66</u>		<u>281,510.00</u>	
 Fund Balance, December 31,	 <u>2,463,139.46</u>		 <u>2,165,460.54</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate:</u>	<u>4.799</u>	<u>4.657</u>	<u>4.696</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	1.469	1.459	1.454
County	.798	.819	.836
County Open Space	.048	.046	.057
Local School	1.329	1.256	1.227
Regional School	1.155	1.077	1.122

Assessed Valuation

2016	368,435,769.00		
2015		371,207,148.00	
2014			372,490,882.00

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collection</u>
2016	17,975,326.70	17,486,197.24	97.28%
2015	17,614,433.80	17,098,092.46	97.06%
2014	17,855,246.37	17,008,122.83	95.25%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	431,585.94	928,885.74	1,306,471.68	7.27%
2015	506,613.18	1,049,499.65	1,556,112.83	8.83%
2014	816,932.56	1,056,215.17	1,873,147.73	10.49%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2016	687,500.00
2015	410,600.00
2014	138,600.00

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Collections</u>
2016	2,332,766.77	2,319,196.55
2015	2,337,693.91	2,370,344.49
2014	2,480,654.03	2,521,169.44

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31,</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund:</u>	2016	1,960,763.68	912,500.00
	2015	1,684,268.08	878,000.00
	2014	1,505,023.79	807,225.42
	2013	1,445,622.12	750,000.00
	2012	1,373,523.51	662,466.00
<u>Sewer Utility Operating Fund:</u>	2016	2,463,139.46	238,972.14
	2015	2,165,460.54	214,645.66
	2014	1,701,746.22	281,510.00
	2013	1,196,491.15	187,523.71
	2012	922,931.00	300,000.00

Borough of Washington, N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Current Fund</u>	<u>Federal and State Grant Fund</u>
Balance - December 31, 2015	A	2,534,929.39	43,007.69
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	205,251.56	
Taxes Receivable	A-6	17,797,623.00	
Tax Title Liens Receivable	A-7	16,584.37	
Revenue Accounts Receivable	A-10	1,053,217.42	
Due From State - Senior Citizen and Veteran Deductions	A-11	40,654.17	
Interfunds	A-12	76,357.56	
Various Cash Liabilities and Reserves	A-14	14,922.08	
Prepaid Taxes	A-15	133,868.49	
Interfund - Current Fund	A-20		2,000.00
Grants Receivable	A-21		79,506.20
		<u>19,338,478.65</u>	<u>81,506.20</u>
		21,873,408.04	124,513.89
Decreased by Disbursements:			
Prior Year Marriage License Fees	A-1	2,225.00	
Current Year Budget Appropriations	A-3	6,580,878.08	
Interfunds	A-12	5,253.48	
Appropriation Reserves	A-13	205,741.82	
Various Cash Liabilities and Reserves	A-14	15,404.87	
County Taxes Payable	A-16	3,137,674.82	
Local School District Taxes Payable	A-17	4,776,801.52	
Regional High School Taxes Payable	A-18	3,999,732.00	
Special Improvement District Taxes Payable	A-19	200,000.00	
Appropriated Reserves for Grants	A-22		95,962.53
Reserve for Encumbrances	A-23		259.04
		<u>18,923,711.59</u>	<u>96,221.57</u>
Balance - December 31, 2016	A	<u>2,949,696.45</u>	<u>28,292.32</u>

Borough of Washington, N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	<u>325.00</u>
Balance - December 31, 2016	A	<u>325.00</u>
<u>Analysis of Balance:</u>		
Tax Collector		100.00
Municipal Clerk		100.00
Recreation		<u>125.00</u>
		<u>325.00</u>

Borough of Washington, N.J.
Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2016

Year	Balance, Dec. 31, 2015	Levy	Added Taxes	Collected 2015	Collected 2016	Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Cancelled	Balance, Dec. 31, 2016
2010	11,522.71							11,522.71	
2011	11,994.37							11,994.37	
2012	11,833.80							11,833.80	
2013	11,917.85							11,917.85	
2014	2,622.75				0.01				2,622.74
2015	456,721.70				445,924.95	(855.55)	7,856.60	3,795.70	0.00
	506,613.18				445,924.96	(855.55)	7,856.60	51,064.43	2,622.74
2016		17,881,346.59	93,980.11	93,249.20	17,351,698.04	41,250.00	26,296.42	33,869.84	428,963.20
	506,613.18	17,881,346.59	93,980.11	93,249.20	17,797,623.00	40,394.45	34,153.02	84,934.27	431,585.94
A				A-2;A-15	A-2;A-4	A-2;A-11	A-7		A

Analysis of Tax Levy

Tax yield:	Ref.
General Purpose Tax	17,881,346.59
Added Tax (R.S. 54:4-63.1 et seq.)	93,980.11
	<u>17,975,326.70</u>
Tax Levy:	
County Tax	A-16
Added County Taxes	16,567.43
	<u>3,130,520.47</u>
Local District School Tax	A-17
Regional High School Tax	A-18
Special Improvement District Tax	A-19
	<u>9,348,605.00</u>
	<u>12,479,125.47</u>
Local Tax for Municipal Purposes	A-2
Additional Taxes	78,048.02
	<u>5,418,153.21</u>
	<u>78,048.02</u>
	<u>5,496,201.23</u>
	<u>17,975,326.70</u>

Borough of Washington, N.J.

Schedule of Tax Title Liens Receivable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	A		1,049,499.65
Increased by:			
Transferred from Taxes Receivable	A-6	34,153.02	
Added Tax Title Liens		37,335.74	
Interest and Costs		<u>2,258.67</u>	
			<u>73,747.43</u>
			1,123,247.08
Decreased by:			
Cash Receipts	A-4	16,584.37	
Transferred to Foreclosed Property	A-8	<u>177,776.97</u>	
			<u>194,361.34</u>
Balance - December 31, 2016	A		<u><u>928,885.74</u></u>

A-8

**Schedule of Property Acquired for
Taxes Assessed Valuation**

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	A		410,600.00
Increased by:			
Transferred from Tax Title Liens	A-7	177,776.97	
Adjustment to Assessed Valuation		<u>99,123.03</u>	
			<u>276,900.00</u>
Balance - December 31, 2016	A		<u><u>687,500.00</u></u>

Borough of Washington, N.J.

Schedule of Labor Liens Receivable
Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	4,731.64
Increased by:		
Adjustment		<u>3,802.19</u>
		8,533.83
Decreased by:		
Collections	A-2	<u>708.00</u>
Balance - December 31, 2016	A	<u><u>7,825.83</u></u>

Borough of Washington, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2016

	Ref.	Balance Dec. 31, 2015	Accrued	Collected	Balance Dec. 31, 2016
Clerk:					
Licenses:					
Alcoholic Beverages	A-2		5,115.00	5,115.00	
Fees and Permits	A-2		25,574.44	25,574.44	
Municipal Court :					
Fines and Costs	A-2	6,018.86	88,135.64	88,728.70	5,425.80
Tax Collector:					
Interest and Costs on Taxes	A-2		116,508.20	116,508.20	
Interest on Investments and Deposits	A-2		4,701.52	4,701.52	
Consolidated Municipal Property Tax					
Relief Aid	A-2		38,300.00	38,300.00	
Energy Receipts	A-2		555,076.00	555,076.00	
Uniform Fire Safety Act	A-2		14,213.56	14,213.56	
Sewer Operating Surplus	A-2		205,000.00	205,000.00	
		<u>6,018.86</u>	<u>1,052,624.36</u>	<u>1,053,217.42</u>	<u>5,425.80</u>
		A		A-4	A

Borough of Washington, N.J.

**Schedule of Amount Due From State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976**

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	6,424.49
Increased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billing		41,000.00
Senior Citizens' and Veterans' Deductions Per Tax Collector		500.00
		<u>41,500.00</u>
Less: Senior Citizens Deductions Disallowed		
By the Tax Collector - 2016 Taxes		250.00
By the Tax Collector - 2015 Taxes		<u>855.55</u>
	A-6	<u>40,394.45</u>
		46,818.94
Decreased by:		
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4	<u>40,654.17</u>
Balance - December 31, 2016	A	<u><u>6,164.77</u></u>

Borough of Washington, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2016

Fund	Ref.	Due From/(To) Balance		Increased	Decreased	Due From/(To) Balance	
		Dec. 31, 2015				Dec. 31, 2016	
Federal and State Grants			2,000.00		2,000.00		
Animal Control Trust Fund	A		202.37			202.37	
Other Trust	A	(1,616.36)	3,104.02		76,357.56	(74,869.90)	
Sewer Utility Operating Fund	A	(149.46)	149.46				
		<u>(1,765.82)</u>	<u>5,455.85</u>		<u>78,357.56</u>	<u>(74,667.53)</u>	
<u>Analysis</u>							
Due From Current Fund			<u>(1,765.82)</u>			(74,869.90)	
Due To Current Fund	A-1					202.37	
						<u>(74,667.53)</u>	
Statutory Excess In Animal Control Trust Fund	A-1		202.37				
Appropriations-Grants Received	A-3				2,000.00		
Disbursed	A-4				76,357.56		
	A-4		5,253.48				
			<u>5,455.85</u>		<u>78,357.56</u>		

Borough of Washington, N. J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2016

	Balance, Dec. 31, <u>2015</u>	Balance after <u>Transfers</u>	Total Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<u>General Appropriations</u>				
General Government:				
Administration and Executive:				
Salaries and Wages	8,454.43	2,454.43		2,454.43
Other Expenses	9,092.17	9,092.17	1,882.35	7,209.82
Mayor and Council:				
Other Expenses	6,407.44	6,407.44	6,407.00	0.44
Municipal Clerk:				
Salaries and Wages	99.90	99.90		99.90
Other Expenses	3,990.86	3,990.86	492.58	3,498.28
Financial Administration:				
Salaries and Wages	36.55	36.55		36.55
Other Expenses	2,287.52	2,287.52	926.57	1,360.95
Annual Audit	13,530.00	13,530.00	13,500.00	30.00
Revenue Administration:				
Salaries and Wages	7,425.14	1,425.14		1,425.14
Other Expenses	1,028.20	7,028.20	6,950.45	77.75
Assessment of Taxes:				
Salaries and Wages	2,383.05	2,383.05		2,383.05
Other Expenses	3,948.11	3,948.11	907.71	3,040.40
Legal Services and Costs:				
Other Expenses	6,016.47	11,516.47	11,499.84	16.63
Engineering Services and Costs:				
Other Expenses	18,024.75	18,024.75	2,311.25	15,713.50
Municipal Land Use:				
Planning Board:				
Other Expenses	2,481.33	2,481.33	1,261.51	1,219.82
Board of Adjustment:				
Salaries and Wages	2,920.29	2,920.29		2,920.29
Other Expenses	2,161.76	2,161.76	431.17	1,730.59
Local Code Enforcement:				
Salaries and Wages	9,854.00	9,854.00		9,854.00
Other Expenses	398.55	398.55		398.55
P.E.O.S.H.A. (P.L. 1983, C516)				
Other Expenses	1,000.00	1,000.00		1,000.00
Insurance:				
General Liability	366.25	366.25		366.25
Employee Group Health	12,231.58	12,231.58	809.90	11,421.68

Borough of Washington, N. J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2016

	Balance, Dec. 31, <u>2015</u>	Balance after <u>Transfers</u>	Total Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Public Safety:				
Fire:				
Other Expenses:				
Fire Hydrant Service	5,540.50	6,040.50	5,863.00	177.50
Uniform Fire Safety Act (P.L. 1983,C.383):				
Fire and Safety Code Enforcement:				
Salaries and Wages	148.04	148.04		148.04
Other Expenses	3,801.25	3,801.25	95.58	3,705.67
Office of Emergency Management:				
Other Expenses	2,000.00	2,000.00		2,000.00
Public Works:				
Road Repairs and Maintenance:				
Salaries and Wages	40,525.52	40,525.52	40,525.52	
Other Expenses	39,529.39	39,529.39	39,529.39	
Shade Tree Commission:				
Salaries and Wages	1.99	1.99		1.99
Other Expenses	1,573.32	1,573.32	1,550.00	23.32
Public Building and Grounds:				
Salaries and Wages	397.12	397.12		397.12
Other Expenses	15,891.02	15,891.02	1,605.00	14,286.02
Solid Waste Collection:				
Other Expense	24,416.74	24,416.74	24,416.74	
Municipal Service Reimbursement	25,339.21	25,339.21		25,339.21
Utility Expenses:				
Electricity	20,173.53	20,173.53	3,545.34	16,628.19
Natural Gas	8,458.14	8,458.14	1,436.93	7,021.21
Street Lighting & Traffic Lights	17,061.03	17,061.03	5,301.32	11,759.71
Solid Waste Disposal	30,036.37	30,036.37	10,414.50	19,621.87
Telephone	4,766.50	4,766.50	1,301.29	3,465.21
Water	3,938.68	3,938.68	603.05	3,335.63
Gasoline and Diesel Fuel	11,010.50	11,010.50	445.21	10,565.29

Borough of Washington, N. J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2016

	Balance, Dec. 31, <u>2015</u>	Balance after <u>Transfers</u>	Total Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Deferred Charges and Statutory Expenditures				
Contribution to:				
Social Security System (O.A.S.I.)	15,250.52	15,250.52		15,250.52
Unemployment Insurance	7,000.00	7,000.00		7,000.00
Defined Contribution Retirement Program	1,347.37	1,347.37	106.06	1,241.31
Maintenance of Free Public Library:				
Other Expenses	21,622.56	21,622.56	21,622.56	
Shared Service Agreements				
Shared Police Services - Washington Township	21.00	21.00		21.00
Total General Appropriation Reserves	<u>413,988.65</u>	<u>413,988.65</u>	<u>205,741.82</u>	<u>208,246.83</u>
			A-4	A-1
	<u>Ref.</u>			
Unencumbered	A	276,840.30		
Encumbered	A	<u>137,148.35</u>		
		<u>413,988.65</u>		

Borough of Washington, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2016

<u>Liabilities and Reserves</u>	<u>Balance</u> Dec. 31, 2015	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> Dec. 31, 2016
<u>Liabilities:</u>				
Tax Overpayments	29,992.21	12,111.08	12,787.83	29,315.46
<u>Reserve for:</u>				
Tree Shade	500.00			500.00
State Library Aid	4,514.75	2,811.00	2,617.04	4,708.71
Sale of Municipal Assets	9,900.00			9,900.00
	<u>44,906.96</u>	<u>14,922.08</u>	<u>15,404.87</u>	<u>44,424.17</u>
	A	A-4	A-4	A

Borough of Washington, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref.</u> A	93,249.20
Increased by:		
Receipts - Prepaid Taxes	A-4	<u>133,868.49</u>
		227,117.69
Decreased by:		
Applied to Taxes	A-6	<u>93,249.20</u>
Balance - December 31, 2016	A	<u><u>133,868.49</u></u>

Borough of Washington, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	A		23,721.78
Increased by:			
Levy	A-6	3,113,953.04	
Added and Omitted Taxes	A-6	<u>16,567.43</u>	
	A-1		<u>3,130,520.47</u>
			<u>3,154,242.25</u>
Decreased by:			
Payments	A-4		<u>3,137,674.82</u>
Balance - December 31, 2016	A		<u><u>16,567.43</u></u>

Borough of Washington, N.J.

Schedule of Local School District Tax

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015			
School Tax Deferred		2,058,701.16	
School Tax Payable	A	<u>218,471.59</u>	
			2,277,172.75
Increased by:			
Levy School Year July 1, 2016 to June 30, 2017	A-6		<u>4,895,348.00</u>
			7,172,520.75
Decreased by:			
Payments	A-4		<u>4,776,801.52</u>
Balance - December 31, 2016			
School Tax Deferred		2,302,957.14	
School Tax Payable	A	<u>92,762.09</u>	
			<u>2,395,719.23</u>
Liability for Local			
Taxes Paid			4,776,801.52
Taxes Payable December 31, 2016			<u>92,762.09</u>
			4,869,563.61
Less:			
Taxes Payable December 31, 2015			<u>218,471.59</u>
Amount Charged to Operations	A-1		<u><u>4,651,092.02</u></u>

Borough of Washington, N.J.

Schedule of Regional High School Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015			
Tax Payable	A	61,306.80	
School Taxes Deferred		<u>1,998,813.00</u>	2,060,119.80
Increased by:			
Levy School Year July 1, 2016 to June 30, 2017	A-6		<u>4,253,257.00</u>
			6,313,376.80
Decreased by:			
Payments	A-4		<u>3,999,732.00</u>
Balance - December 31, 2016			
Tax Payable	A	187,016.30	
School Taxes Deferred		<u>2,126,628.50</u>	<u>2,500,661.10</u>
Liability for Regional District School Tax:			
Taxes Paid			3,999,732.00
Taxes Payable-December 31, 2016			<u>187,016.30</u>
			4,186,748.30
Less:			
Taxes Payable-December 31, 2015			<u>61,306.80</u>
Amount Charged to Operations	A-1		<u><u>4,125,441.50</u></u>

A-19

Schedule of Special Improvement District Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Increased by:			
Levy- 2016	A-1;A-6		<u>200,000.00</u>
Decreased by:			
Payments	A-4		<u>200,000.00</u>

Borough of Washington, N.J.

Schedule of Interfunds Receivable (Payable)

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Fund</u>	<u>Ref.</u>	<u>Increased</u>	<u>Decreased</u>
Current Fund		<u>2,000.00</u>	<u>2,000.00</u>
Cash Receipts	A-4		2,000.00
Appropriated Grants - Matching Share	A-22	<u>2,000.00</u>	<u>2,000.00</u>
		<u>2,000.00</u>	<u>2,000.00</u>

Borough of Washington, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Budget</u> <u>Revenue</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Municipal Alliance Grant	3,433.34	21,551.00	6,508.52	18,475.82
Clean Communities		17,393.03	17,393.03	
Recycling Tonnage		3,604.65	3,604.65	
Highlands Water Protection & Planning	5,000.00			5,000.00
Risk Control Grant		2,406.51		2,406.51
Sustainable Jersey		2,000.00	2,000.00	
DOT Municipal Aid - N. Lincoln Ave		50,000.00	50,000.00	
	<u>8,433.34</u>	<u>96,955.19</u>	<u>79,506.20</u>	<u>25,882.33</u>
	A	A-2	A-4	A

Borough of Washington, N.J.

Schedule of Appropriated Reserves of Grants

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Grant</u>	Balance <u>Dec. 31, 2015</u>	Transfer From <u>Budget</u>	<u>Expended</u>	Balance <u>Dec. 31, 2016</u>
Recycling Tonnage Grant	6,416.12	3,604.65	4,686.84	5,333.93
Alcohol Education and Rehabilitation Fund	3,246.37			3,246.37
Municipal Alliance Grant:				
Local Share	8,077.62	5,474.00	13,551.62	(0.00)
State Share	2,680.72	18,077.00	6,256.91	14,500.81
DOT Grant - Beethoven Avenue	5,960.55			5,960.55
Clean Communities Program	21,902.59	17,393.03	22,678.22	16,617.40
Small Cities Grant	198.02			198.02
Highlands Water Protection & Planning	2,700.00			2,700.00
Sustainable Jersey		2,000.00		2,000.00
Risk Control Grant		2,406.51	2,406.51	
DOT Municipal Aid - N. Lincoln Ave		50,000.00	50,000.00	
	<u>51,181.99</u>	<u>98,955.19</u>	<u>99,580.10</u>	<u>50,557.08</u>
	A			A

	<u>Ref.</u>		
Budget Appropriations Grants	A-3	96,955.19	
Interfund - Current Fund	A-20	2,000.00	
Cash Disbursements	A-4		95,962.53
Reserve for Encumbrances	A-23		3,617.57
		<u>98,955.19</u>	<u>99,580.10</u>

Borough of Washington, N.J.
Schedule of Encumbrances Payable
Federal and State Grant Fund
Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref.</u> A	259.04
Increased by:		
Charged to Appropriated Reserves	A-22	<u>3,617.57</u>
		3,876.61
Decreased by:		
Disbursements	A-4	<u>259.04</u>
Balance - December 31, 2016	A	<u><u>3,617.57</u></u>

Borough of Washington, N. J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Assessment Trust Fund</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2015	B	<u>2,749.34</u>	<u>12,988.97</u>	<u>1,608,682.89</u>
Increased by Receipts:				
Dog License Fees - Borough	B-3		6,750.00	
Cat License Fees - Borough	B-3		1,085.00	
Dog Late Fees	B-3		1,462.00	
Dog License Fees - State Share	B-7		1,080.00	
Other Trust Funds	B-8			2,399,612.36
Total Receipts		<u>2,749.34</u>	<u>10,377.00</u>	<u>2,399,612.36</u>
		<u>2,749.34</u>	<u>23,365.97</u>	<u>4,008,295.25</u>
Decreased by Disbursements:				
Interfund - Current Fund	B-5			73,253.54
Encumbrances Payable				
Animal Control	B-4		879.12	
Trust Funds	B-6			2,697.34
Reserve for Animal Control Trust				
Fund Expenditures	B-3		1,535.28	
State Share - Dog Licenses	B-7		1,071.60	
Other Trust Funds	B-8			2,350,065.73
Total Disbursements			<u>3,486.00</u>	<u>2,426,016.61</u>
Balance - December 31, 2016	B	<u>2,749.34</u>	<u>19,879.97</u>	<u>1,582,278.64</u>

Borough of Washington, N. J.

Reserve/(Deficit) for Animal Control Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	B		12,118.65
Increased by:			
Dog License Fees	B-2	6,750.00	
Cat License Fees	B-2	1,085.00	
Late Fees/Miscellaneous	B-2	1,462.00	
		<u>9,297.00</u>	
			21,415.65
Decreased by:			
Reserve for Animal Control Trust Fund Expenditures	B-2	1,535.28	
Encumbrances	B-4	1,896.00	
Statutory Excess	B-5	202.37	
		<u>3,633.65</u>	
Balance - December 31, 2016	B		<u><u>17,782.00</u></u>

License Fees Collected

<u>Year</u>	
2015	9,310.00
2014	8,472.00
	<u><u>17,782.00</u></u>

B-4

Schedule of Animal Control Trust Encumbrances

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	B		879.12
Increased by:			
Encumbrances	B-3	1,896.00	
		<u>2,775.12</u>	
Decreased by:			
Cash Disbursements	B-2	879.12	
		<u>879.12</u>	
Balance - December 31, 2016	B		<u><u>1,896.00</u></u>

Borough of Washington, N. J.

Schedule of Interfund Receivable (Payable) - Current Fund

Trust Fund

Year Ended December 31, 2016

	Due (to) / from Balance <u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	Due (to) / from Balance <u>Dec. 31, 2016</u>
Other Trust Fund	1,616.36		73,253.54	74,869.90
Animal Control Trust Fund		202.37		202.37
	<u>1,616.36</u>	<u>202.37</u>	<u>73,253.54</u>	<u>75,072.27</u>
	B	B-3	B-2	B

Schedule of Encumbrances Payable

Trust Fund

Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref.</u> B	2,697.34
Increased by:		
Charges to Reserves	B-8	<u>14,791.99</u>
		17,489.33
Decreased by:		
Cash Disbursements	B-2	<u>2,697.34</u>
Balance - December 31, 2016	B	<u><u>14,791.99</u></u>

Borough of Washington, N. J.

Schedule of Due to / (from) State Department of Health

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015		
Due to State of New Jersey	B	(8.80)
Increased by:		
State Fees Collected	B-2	<u>1,080.00</u>
		1,071.20
Decreased by:		
Disbursements	B-2	<u>1,071.60</u>
Balance - December 31, 2016		
Due From State of New Jersey	B	<u><u>(0.40)</u></u>

Borough of Washington, N. J.

Schedule of Other Trust Funds

Trust Funds

Year Ended December 31, 2016

	Balance <u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2016</u>
Reserve for:				
Escrow Deposits	913,908.70	36,825.19	96,320.55	854,413.34
POAA	2,144.78	71.00		2,215.78
Recreation	26,761.95	223,070.01	189,087.68	60,744.28
Tax Sale Premiums	486,400.00	305,800.00	232,800.00	559,400.00
Public Defender	281.00	493.00	600.00	174.00
Fire Safety Bureau Trust	4,482.40	142.00		4,624.40
C.O.A.H.	4,635.53	51,275.97	52,843.51	3,067.99
Unemployment	72,677.17	13,883.31	11,577.83	74,982.65
Payroll	12,919.76	1,674,779.90	1,676,813.90	10,885.76
Comcast	5,037.92		4,810.26	227.66
WBFD Dedicated Penalty Trust	55.56			55.56
Snow Removal	75,324.53	81,096.58	93,893.47	62,527.64
Senior Activity	589.00	7,175.40	6,076.56	1,687.84
Outside Liens	1,869.48		33.96	1,835.52
Salary Settlements	514.13	5,000.00		5,514.13
	<u>1,607,601.91</u>	<u>2,399,612.36</u>	<u>2,364,857.72</u>	<u>1,642,356.55</u>
	B			B

Ref.

Cash Receipts	B-2	2,399,612.36	
Cash Disbursements	B-2		2,350,065.73
Encumbrances Payable	B-6		14,791.99
		<u>2,399,612.36</u>	<u>2,364,857.72</u>

Borough of Washington, N. J.
Schedule of Prepaid Assessments
Trust Funds
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	<u><u>1,488.20</u></u>
Balance - December 31, 2016	B	<u><u>1,488.20</u></u>

Borough of Washington, N. J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	C;C-3		399,551.83
Increased by Receipts:			
Capital Improvement Fund	C-6		<u>410,000.00</u>
			809,551.83
Decreased by Disbursements:			
Reserve for Encumbrances	C-4	192,262.10	
Improvement Authorizations	C-7	<u>271,418.34</u>	
			<u>463,680.44</u>
Balance - December 31, 2016	C;C-3		<u><u>345,871.39</u></u>

Borough of Washington, N. J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2016

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2016
	Balance Dec. 31, 2015	Budget	Improvement Authorizations	Miscellaneous	To	(From)	
Fund Balance	4,989.78						4,989.78
Capital Improvement Fund	101,091.00	410,000.00			54,457.10	(475,000.00)	90,548.10
Encumbrances Payable	226,645.24			192,262.10	42,478.99		76,862.13
Reserve for Debt Service	407.42						407.42
Reserve for Generator	37,000.00						37,000.00
<u>Improvement Authorizations</u>							
Ordinance							
04-2013 Various Improvements and Purposes	10,368.07						10,368.07
02-2014 Various Capital Improvements	16,999.26						16,999.26
04-2015 Purchase of Zero Turn Lawnmower	225.00						225.00
05-2015 Various Improvements and Purposes	1,826.06						1,826.06
04-2016 Road Improvements			10,542.90		65,000.00	(54,457.10)	
05-2016 Road Paving and Crosswalk Reconstruction			250,875.44		400,000.00	(42,478.99)	106,645.57
06-2016 Fire Equipment			10,000.00		10,000.00		
	<u>399,551.83</u>	<u>410,000.00</u>	<u>271,418.34</u>	<u>192,262.10</u>	<u>571,936.09</u>	<u>(571,936.09)</u>	<u>345,871.39</u>
	C						C

Borough of Washington, N. J.
Schedule of Encumbrances Payable
General Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	C	226,645.24
Increased by:		
Improvement Authorizations	C-7	42,478.99
		<u>269,124.23</u>
Decreased by:		
Cash Disbursements	C-2	192,262.10
		<u>192,262.10</u>
Balance - December 31, 2016	C	<u><u>76,862.13</u></u>

Borough of Washington, N. J.

Schedule of Deferred Charges to Future
Taxation - Funded

General Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	C		7,413,241.93
Decreased by:			
Funded by Budget Appropriation			
Green Acres Loan Payable	C-8	33,423.86	
Serial Bonds Payable	C-10	<u>595,000.00</u>	
			<u>628,423.86</u>
Balance - December 31, 2016	C		<u><u>6,784,818.07</u></u>

Borough of Washington, N. J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	C	101,091.00
Increased by:		
Cash Receipts	C-2	410,000.00
Improvement Authorizations Canceled	C-7	<u>54,457.10</u>
		565,548.10
Decreased by:		
Appropriated to Finance		
Improvement Authorizations	C-7	<u>475,000.00</u>
Balance - December 31, 2016	C	<u><u>90,548.10</u></u>

Borough of Washington, N. J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2016

Ord. No./Date	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2015		2016 Authorizations	Cancelled	Paid or Charged	Balance Dec. 31, 2016	
				Funded	Unfunded				Funded	Unfunded
<u>General Improvements:</u>										
04-2013	Various Improvements and Purposes	06/18/13	366,500.00	10,368.07					10,368.07	
02-2014	Various Capital Improvements	06/17/14	264,000.00	16,999.26					16,999.26	
04-2015	Purchase of Zero Turn Lawnmower	05/19/15	6,000.00	225.00					225.00	
05-2015	Various Improvements and Purposes	06/16/15	298,000.00	1,826.06					1,826.06	
04-2016	Various Road Improvements	08/16/16	65,000.00		65,000.00		54,457.10	10,542.90		
05-2016	Road Paving and Crosswalk Reconstruction	09/20/16	400,000.00		400,000.00			293,354.43		
06-2016	Fire Equipment	10/04/16	10,000.00		10,000.00			10,000.00		
				<u>29,418.39</u>		<u>475,000.00</u>	<u>54,457.10</u>	<u>313,897.33</u>	<u>136,063.96</u>	
				C		C-6	C-6		C	

Ref.

Cash Disbursed	C-2	271,418.34
Encumbrances Payable	C-4	42,478.99
		<u>313,897.33</u>

Borough of Washington, N. J.

Schedule of Green Acres Trust Loan Payable

General Capital Fund

Year Ended December 31, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2016	Interest Rate	Balance, Dec. 31, 2015	Decreased	Balance, Dec. 31, 2016
Green Acres Loan	10/17/2002	328,750.00	01/17/2016-01/17/2022 07/17/2016-07/17/2022	2.00%	132,915.57	17,873.34	115,042.23
Green Acres Loan	03/04/2009	283,200.00	06/30/2016-06/30/2026 12/31/2016-12/31/2026	2.00%	189,326.36	15,550.52	173,775.84
					<u>322,241.93</u>	<u>33,423.86</u>	<u>288,818.07</u>
					C	C-5	C

Borough of Washington, N. J.**Schedule of Various Reserves****General Capital Fund****Year Ended December 31, 2016**

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Reserve for Debt Service	407.42	407.42
Reserve for Generator	37,000.00	37,000.00
	<u>37,407.42</u>	<u>37,407.42</u>
	C	C

Borough of Washington, N. J.

Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2016	Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
General Improvement Bonds	03/12/08	5,590,000.00	3/1/2017 540,000.00	4.50%			
			3/1/2018 640,000.00	4.50%			
			3/1/2019 750,000.00	4.50%			
			3/1/2020 850,000.00	4.50%			
			3/1/2021 850,000.00	4.50%			
			3/1/2022 850,000.00	4.50%	4,680,000.00	200,000.00	4,480,000.00
General Refunding Bonds	04/01/12	830,000.00			205,000.00	205,000.00	
General Improvement Bonds	04/01/12	2,706,000.00	4/1/2017 195,000.00	2.00%			
			4/1/2018-22 125,000.00	2.00%			
			4/1/2023-25 250,000.00	2.00-2.40%			
			4/1/2026 225,000.00	2.50%			
			4/1/2027 221,000.00	2.60%			
					2,206,000.00	190,000.00	2,016,000.00
					7,091,000.00	595,000.00	6,496,000.00
					C	C-5	C

Borough of Washington, N. J.

Schedule of Cash

Sewer Utility Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2015	D;D-6	<u>2,547,358.24</u>	<u>551,841.74</u>
Increased by Receipts:			
Miscellaneous	D-3	28,964.61	
Reserve Capacity Charges	D-3	16,926.00	
Industrial/Commercial Permit Fees	D-3	16,474.00	
Miscellaneous Revenue Not Anticipated	D-3	177,046.43	
Consumer Accounts/Liens Receivable	D-8	2,299,795.19	
Prepaid Sewer Rents	D-10	15,024.33	
Interfund-Current Fund	D-11	149.46	
Reserve for Overpayments	D-19	4,827.30	
		<u>2,559,207.32</u>	
		5,106,565.56	<u>551,841.74</u>
Decreased by Disbursements:			
Budget Appropriations	D-4	2,056,855.84	
Appropriation Reserves	D-14	75,818.46	
Accrued Interest	D-16	91,760.00	
Improvement Authorizations	D-17		127,561.26
Encumbrances Payable	D-22		110.00
		<u>2,224,434.30</u>	<u>127,671.26</u>
Balance - December 31, 2016	D;D-6	<u><u>2,882,131.26</u></u>	<u><u>424,170.48</u></u>

Borough of Washington, N. J.

Analysis of Cash

Sewer Utility Capital Fund

Year Ended December 31, 2016

	Balance Dec. 31, 2015	Disbursements		Balance Dec. 31, 2016
		Improvement Authorizations	Miscellaneous	
Fund Balance	9,706.52			9,706.52
Capital Improvement Fund	101,785.22			101,785.22
Reserve for Capital Outlay	240,000.00			240,000.00
Reserve for Encumbrances	350.00		110.00	240.00
Ord. 09-2015	200,000.00	127,561.26		72,438.74
Improvement Authorizations Sewer Project on South Prospect Street	<u>551,841.74</u>	<u>127,561.26</u>	<u>110.00</u>	<u>424,170.48</u>
	D;D-5			D;D-5

Borough of Washington, N. J.

Schedule of Change Fund

Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	<u>75.00</u>
Balance - December 31, 2016	D	<u>75.00</u>

Schedule of Consumer Accounts Receivable

Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Charges</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Consumer Accounts Receivable	<u>283,852.17</u> D	<u>2,332,766.77</u>	<u>2,319,196.55</u>	<u>297,422.39</u> D
		<u>Ref.</u>		
Rents Received		D-5	2,299,795.19	
Prepays Applied		D-10	<u>9,879.92</u>	
		D-3	<u>2,309,675.11</u>	
Transfer to Lien		D-9	<u>9,521.44</u>	
			<u>2,319,196.55</u>	

Borough of Washington, N. J.

Schedule of Sewer Liens

Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	24,919.22
Increased by:		
Consumer Accounts Receivable	D-8	9,521.44
Sewer Lien Adjustment		<u>5.89</u>
		<u>9,527.33</u>
Balance - December 31, 2016	D	<u><u>34,446.55</u></u>

Schedule of Prepaid Sewer Charges

Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	9,879.92
Increased by:		
Collected	D-5	<u>15,024.33</u>
		24,904.25
Decreased by:		
Prepaid Applied	D-8	<u>9,879.92</u>
Balance - December 31, 2016	D	<u><u>15,024.33</u></u>

Borough of Washington, N. J.

Schedule of Interfund Accounts Receivable (Payable)

Sewer Utility Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Sewer Operating Fund</u>
		<u>Current Fund</u>
Balance - December 31, 2015	D	<u>149.46</u>
Decreased by:		
Cash Received	D-5	<u>149.46</u>

Borough of Washington, N. J.

Schedule of Fixed Capital

Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Wastewater Treatment Plant	17,827,829.71	17,827,829.71
Equipment	24,750.00	24,750.00
	<u>17,852,579.71</u>	<u>17,852,579.71</u>
	D	D

Borough of Washington, N. J.

Schedule of Fixed Capital Authorized and Uncompleted

Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance,</u>	
		<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2016</u>
09-2015	Sewer Project on South Prospect Street	12/01/15	200,000.00	200,000.00	200,000.00
				D	D

Borough of Washington, N. J.
Schedule of Appropriation Reserves
Sewer Utility Operating Fund
Year Ended December 31, 2016

	Balance, Dec. 31, <u>2015</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	21,687.57	21,687.57		21,687.57
Other Expenses	259,369.32	259,369.32	77,318.46	182,050.86
Statutory Expenditures:				
Social Security System (O.A.S.I.)	<u>7,500.00</u>	<u>7,500.00</u>		<u>7,500.00</u>
	<u>288,556.89</u>	<u>288,556.89</u>	<u>77,318.46</u>	<u>211,238.43</u>
				D-1
	<u>Ref.</u>			
<u>Analysis of Appropriation Reserve</u>				
Unencumbered	D	189,698.52		
Encumbered	D	<u>98,858.37</u>		
		<u>288,556.89</u>		
<u>Analysis of Paid or Charged</u>				
Cash Disbursed	D-5		75,818.46	
Accounts Payable	D-15		<u>1,500.00</u>	
			<u>77,318.46</u>	

Borough of Washington, N. J.

Schedule of Accounts Payable

Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	4,000.00
Increased by:		
Transferred from Encumbrances	D-14	<u>1,500.00</u>
Balance - December 31, 2016	D	<u><u>5,500.00</u></u>

Borough of Washington, N. J.

Schedule of Accrued Interest

Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Totals</u>	<u>Loans</u>	<u>Bonds</u>
Balance - December 31, 2015	D	72,588.25	66,102.01	6,486.24
Increased by:				
Budget Appropriations	D-4	91,410.05	82,500.05	8,910.00
Decreased by:				
Disbursements	D-5	91,760.00	82,850.00	8,910.00
Balance - December 31, 2016	D	72,238.30	65,752.06	6,486.24

Principal Outstanding December 31, 2016	Interest Rate	From	To	Period in Days	Required Amount	Excess/ (Deficit)	Actual Amount
575,000.00	5.000%	08/01/16	12/31/16	152	12,138.89	33,568.02	45,706.91
85,000.00	5.000%	08/01/16	12/31/16	152	1,794.44	4,962.23	6,756.67
330,000.00	5.000%	10/15/16	12/31/16	77	3,529.17	9,759.31	13,288.47
					<u>17,462.50</u>	<u>48,289.56</u>	<u>65,752.06</u>

U.S.D.A. Rural Development Loan:

Serial Bonds:	158,000.00	4.50%	09/01/16	12/31/16	121	2,389.75	4,096.49	6,486.24
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Borough of Washington, N. J.

Schedule of Improvement Authorizations

Sewer Utility Capital Fund

Year Ended December 31, 2016

ORD. No.	Improvement Description	Ordinance		Balance		Balance	
		Date	Amount	Dec. 31, 2015	Funded	Dec. 31, 2016	Funded
09-2015	Sewer Project on South Prospect Street	12/01/15	200,000.00	200,000.00		127,561.26	
				D		D-5	D
						72,438.74	

Borough of Washington, N. J.

Schedule of Reserves

Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Description</u>	Balance <u>Dec. 31, 2015</u>	Balance <u>Dec. 31, 2016</u>
Capital Outlay	<u>240,000.00</u> D	<u>240,000.00</u> D

Schedule of Reserves

Sewer Utility Operating Fund

Year Ended December 31, 2016

<u>Description</u>	Balance <u>Dec. 31, 2015</u>	<u>Increased</u>	Balance <u>Dec. 31, 2016</u>
Overpaid Sewer Charges	<u>7,097.10</u> D	<u>4,827.30</u> D-5	<u>11,924.40</u> D

Borough of Washington, N. J.
Schedule of Capital Improvement Fund
Sewer Utility Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	101,785.22
Balance - December 31, 2016	D	101,785.22

D-21

Schedule of Reserve for Amortization
Sewer Utility Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	15,591,272.38
Increased by:		
USDA Rural Development Loan		
by Operating Budget	D-24	766,002.95
Serial Bonds Paid by Operating Budget	D-25	80,000.00
		846,002.95
Balance - December 31, 2016	D	16,437,275.33

D-22

Schedule of Reserve for Encumbrances Payable
Sewer Utility Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	350.00
Decreased by:		
Preliminary Engineering Costs	D-5	110.00
Balance - December 31, 2016	D	240.00

Borough of Washington, N. J.

Schedule of Deferred Reserve for Amortization

Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31,2015</u>	<u>Balance, Dec. 31,2016</u>
09-2015	Sewer Project on South Prospect Street	12/01/15	<u>200,000.00</u> D	<u>200,000.00</u> D

Borough of Washington, N. J.

Schedule of Wastewater Loans Payable

Sewer Utility Capital Fund

Year Ended December 31, 2016

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Date	Amount				
Trust Loan - Project #S40706-03	08/01/98	7,060,000.00	2017	575,000.00	5.00%	1,120,000.00	545,000.00	575,000.00
Trust Loan - Project #S340706-04	08/01/98	1,075,000.00	2017	85,000.00	5.00%	165,000.00	80,000.00	85,000.00
Fund Loan - Project #S340706-04	08/01/98	1,014,350.00	2017	11,047.75	0.00%	65,137.59	54,089.84	11,047.75

Borough of Washington, N. J.

Schedule of Wastewater Loans Payable

Sewer Utility Capital Fund

Year Ended December 31, 2016

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Date	Amount				
Trust Loan - Project #S340706-05	10/15/02	790,000.00	2017	50,000.00	5.00%			
			2018	50,000.00	5.00%			
			2019	55,000.00	5.00%			
			2020	55,000.00	5.00%			
			2021	60,000.00	5.00%			
			2022	60,000.00	4.75%	375,000.00	45,000.00	330,000.00
Fund Loan - Project #S340706-05	10/15/02	835,741.00	2017	43,725.39	0.00%			
			2018	42,077.87	0.00%			
			2019	43,725.39	0.00%			
			2020	41,913.11	0.00%			
			2021	43,395.88	0.00%			
			2022	41,418.99	0.00%	298,169.74	41,913.11	256,256.63
					<u>2,023,307.33</u>	<u>766,002.95</u>	<u>1,257,304.38</u>	
					D	D-21	D	

Borough of Washington, N. J.
Schedule of Sewer Serial Bonds Payable

Sewer Utility Capital Fund

Year Ended December 31, 2016

Purpose	Date of Issue	Original Issue	Maturities Outstanding December 31, 2016	Date	Amount	Interest Rate	Balance	
							Dec. 31, 2015	Dec. 31, 2016
Sewer Bonds	03/12/08	728,000.00	80,000.00	03/01/17	80,000.00	4.50%		
			78,000.00	3/1/2018	78,000.00	4.50%	238,000.00	158,000.00
							D	D
							80,000.00	80,000.00
							D-21	D

BOROUGH OF WASHINGTON

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PART II

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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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

Honorable Mayor and
Members of the Borough Council
Borough of Washington
Washington, New Jersey 07882

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Borough of Washington in the County of Warren as of and for the year ended December 31, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2017, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for the omission of the fixed asset account group.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements-regulatory basis, we considered the Borough of Washington's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements-regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Washington'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Honorable Mayor and
Members of the Borough Council
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify certain immaterial deficiencies in internal control that we have reported to management of the Borough of Washington in the accompanying comments and recommendations section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Washington's financial statements-regulatory basis 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*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Washington in the accompanying comments and recommendations section of this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Washington internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Washington's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkatz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey
June 16, 2017

GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2016, and at June 16, 2017, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

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

N.J.S. 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 (C.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 contracts 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 (C.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 (C.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. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 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 subsection 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."

GENERAL COMMENTS (CONTINUED)

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

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

The Governing Body of the Borough of Washington have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicated the bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for the accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. None were noted.

Our review of the Borough's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

The Borough is a member of a Cooperative Pricing Council organized in the surrounding area.

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 5, 2016 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

RESOLUTION OF THE BOROUGH OF WASHINGTON, COUNTY OF WARREN, STATE OF NEW JERSEY, FIXING THE RATE OF INTEREST TO BE CHARGED ON DELINQUENT TAXES OF ASSESSMENTS

"WHEREAS, taxes are payable in quarterly installments on February 1st, May 1st, August 1st and November 1st in each year, and installments become delinquent if not paid on or before those dates".

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (continued)

“BE IT THEREFORE RESOLVED, that Council does hereby authorize an interest charge not to exceed eight (8%) percent per annum on the first \$1,500.00 of the delinquency and eighteen (18%) percent per annum on any amount in excess of \$1,500.00 upon all delinquent installments; and

BE IT ALSO RESOLVED, that Council does hereby authorize a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. That penalty so fixed shall not exceed six (6%) percent of the amount of the delinquency.

BE IT FURTHER RESOLVED, that any installments received after the expiration of the grace period, and such grace period shall be the period starting with the second day and ending on the ten (10th) day of the month in which taxes are due, shall bear interest at the applicable interest rate from the original due date.

BE IT FURTHER RESOLVED, that the Tax Collector of the Borough of Washington is hereby authorized to conduct the annual sale of delinquent taxes for the Calendar Year 2016.

It appears from an examination of the Collector's records, that interest was collected in accordance with the forgoing resolution.

As part of the audit, an agreement between the Borough and Phillipsburg National Bank, dated October 12, 1992, effective January 1, 1993, established the Bank as the official Tax Receiving Agency, was reviewed. However, the statutes read that the Tax Receiving Agency can only accept current year tax payments. Therefore, the agreement between the bank and Borough was reviewed, and accepted by the Division of Local Government Services for their approval on February 4, 1993.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 21, 2016 and was complete, except for properties in bankruptcy court.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2016	7
2015	9
2014	20

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

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

GENERAL COMMENTS (CONTINUED)

Verification of Delinquent Taxes and Other Charges

The result of the test, which was made as of December 31, 2016 is not yet known, but a separate report will be rendered if any irregularities are developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

Outside Offices

1. Clerk and Registrar/Vital Statistics department cashbooks were not maintained through July 2016.

Management Response:

Once all the facts and other issues were discovered, the responsible employee was suspended effective July 12, 2016.

2. Unauthorized disbursements were being made from the Clerk and Registrar accounts.

Management Response:

Once all the facts and other issues were discovered, the responsible employee was suspended effective July 12, 2016.

Finance

1. Three (3) vendors were paid over \$600, but were not issued 1099s for 2016.

Management Response:

In 2017, greater care will be taken when reviewing vendors who need 1099s.

2. Two (2) projects were performed in excess of the quote threshold without obtaining quotes.

Management Response:

Once all the facts and other issues were discovered, the responsible employee was suspended effective July 12, 2016.

3. Professional service contracts were missing various disclosures, as well as advertisement of Award of Contract through non-compliance bidding.

Management Response:

Once all the facts and other issues were discovered, the responsible employee was suspended effective July 12, 2016.

RECOMMENDATIONS

1. That all outside offices maintain cashbooks to be reconciled to the general ledger monthly.
2. That all disbursements be subject to appropriate authorization procedures.
3. That all vendors requiring a 1099 be issued a 1099 in subsequent years.
4. That all quotes be obtained and kept on file for all purchases over the threshold, per N.J.S.A. 40A:11-3.
5. That professional service contracts awarded through non-competitive bidding be advertised and contain required disclosures.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action was taken on all.

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

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

Very truly yours,



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

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