

CITY OF NORTHFIELD

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

FOR THE YEAR ENDED

December 31, 2016

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CITY OF NORTHFIELD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Northfield, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Northfield, 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 City'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 City of Northfield 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 City of Northfield as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$251,573.60 and \$206,093.21 for 2016 and 2015, respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group 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 City of Northfield’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 is the responsibility of management and was 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, is 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 May 9, 2017 on our consideration of the City of Northfield'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 City of Northfield's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

May 9, 2017

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EXHIBIT A - CURRENT FUND

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**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2016	2015
<u>Assets</u>		
Cash:		
Treasurer	\$ 2,888,598.60	2,842,094.79
Change Fund	350.00	350.00
	2,888,948.60	2,842,444.79
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	495,088.46	615,607.59
Tax Title Liens Receivable	31,414.35	25,124.38
Miscellaneous Liens Receivable	9,801.75	6,725.82
Property Acquired / Assessed Valuation		
Sewer Rents Receivable	67,872.70	82,080.29
Sewer Liens Receivable	325.00	325.00
Due from the Grant Fund	-	31,692.37
Revenue Accounts Receivable	6,363.96	7,854.32
	610,866.22	769,409.77
	3,499,814.82	3,611,854.56
Federal and State Grant Fund:		
Federal and State Grants Receivable	194,089.64	378,984.94
Due from Current Fund	71,028.68	-
	265,118.32	378,984.94
	3,764,933.14	3,990,839.50

See Accompanying Notes to Financial Statements

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2016	2015
<u>Liabilities, Reserves and Fund Balance</u>		
Liabilities:		
Appropriation Reserves	295,807.16	418,187.97
Encumbrances Payable	226,240.22	233,615.64
Payroll Taxes Payable	33,086.78	37,116.75
Sewer Rent Overpayments	7,310.00	4,125.64
Prepaid Taxes	176,267.75	132,948.19
Tax Overpayments	696.72	-
Due to State of New Jersey - Senior Citizens and Veterans	21,371.17	24,871.17
Due to State of New Jersey - Marriage Fees	150.00	175.00
Due to State of New Jersey - DCA	2,021.00	4,041.00
Due to State of New Jersey - Burial Fees	75.00	115.00
Due to Other Trusts	-	96.37
Due to Grant Fund	71,028.68	-
Reserve for Library Surplus	-	25,000.00
Due to County - Added Taxes	2,972.91	11,182.14
	837,027.39	891,474.87
Reserve for Receivables and Other Assets	610,866.22	769,409.77
Fund Balance	2,051,921.21	1,950,969.92
	3,499,814.82	3,611,854.56
Federal and State Grant Fund:		
Due to the Current Fund	-	31,692.37
Reserve for Grants Appropriated	139,748.22	307,934.27
Reserve for Grants Unappropriated	-	4,717.85
Encumbrances Payable	125,370.10	34,640.45
	265,118.32	378,984.94
	\$ 3,764,933.14	3,990,839.50

See Accompanying Notes to Financial Statements

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
For the Year Ended December 31,

	2016	2015
<u>Revenue and Other Income Realized:</u>		
Fund Balance Utilized	\$ 1,300,000.00	1,660,000.00
Miscellaneous Revenues Anticipated	3,179,133.40	3,296,807.51
Receipts from Delinquent Taxes	559,211.56	393,742.15
Receipts from Current Taxes	27,865,385.98	27,730,952.12
Nonbudget Revenues	106,480.26	158,394.23
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	450,920.47	530,260.12
Unexpended Balance of 2016 Budget Appropriations	191.74	-
Interfund Returned	31,692.37	2,314.89
Sale of Municipal Assets	52,609.38	14,826.39
Miscellaneous Cancellation	605.99	3,474.40
	33,546,231.15	33,790,771.81
<u>Expenditures:</u>		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,732,450.00	3,828,051.00
Other Expenses	4,073,752.00	3,953,752.00
Deferred Charges and		
Statutory Expenditures	977,161.00	917,916.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	153,935.88	213,715.00
Other Expenses	1,928,255.35	2,093,135.73
Capital Improvements	156,000.00	61,000.00
Municipal Debt Service	1,021,710.00	1,281,422.50
Deferred Charges	-	50,000.00
County Taxes	4,304,403.72	4,469,984.48
Due County for Added and Omitted Taxes	2,972.91	11,182.14
Regional High School Tax	6,095,680.00	5,863,390.00
Local District School Tax	9,698,959.00	9,997,726.00
Prior Year Payroll Liability Adjustment	-	5,292.08
Interfund Created	-	17,601.06
	32,145,279.86	32,764,167.99

See Accompanying Notes to Financial Statements

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

	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,300,000.00	-	1,300,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	7,500.00		7,500.00	-
Other	75,000.00		78,449.40	3,449.40
Fees and Permits	63,000.00		71,187.18	8,187.18
Fines and Costs:				
Municipal Court	78,000.00		117,443.65	39,443.65
Interest and Costs on Taxes	104,000.00		137,425.30	33,425.30
Interest on Investments and Deposits	12,500.00		15,957.82	3,457.82
Sewer Rentals	1,320,000.00		1,423,819.30	103,819.30
Total Section A: Local Revenues	1,660,000.00	-	1,851,782.65	191,782.65
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Act	4,934.00		4,934.00	-
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	627,452.00		627,452.00	-
Total Section B: State Aid Without Offsetting Appropriations	632,386.00	-	632,386.00	-
Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations				
Uniform Construction Code Fees	135,000.00		144,567.00	9,567.00
Total Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations	135,000.00	-	144,567.00	9,567.00
Section D: Special Items of General Revenue Anticipated with Prior Written Consent - Interlocal Municipal Service Agreements Offset With Appropriations				
Linwood Share - Sewerage Department Costs	140,000.00		196,787.22	56,787.22
Linwood Share - Court Costs	124,731.00		124,731.00	-
Total Section D: Special Items of General Revenue Anticipated with Prior Written Consent - Interlocal Municipal Service Agreements Offset With Appropriations	264,731.00	-	321,518.22	56,787.22
	See Accompanying Notes to Financial Statements			

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

	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section F: Special Items - Public and Private Programs				
Offset with Appropriations				
Recycling Tonnage Grant	\$ 26,435.96		26,435.96	-
Drunk Driving Enforcement Fund	2,533.97	3,399.06	5,933.03	-
Municipal Alliance on Alcoholism & Drug Abuse	13,771.00		13,771.00	-
Safe and Secure Communities Program	60,000.00		60,000.00	-
State Body Armor Grant	2,183.88	2,103.97	4,287.85	0.00
Alcohol Education Rehab		936.69	936.69	-
Community Development Block Grant		22,675.00	22,675.00	-
Click it or Ticket		5,000.00	5,000.00	-
Drive Sober or Get Pulled Over		10,000.00	10,000.00	-
Clean Communities		22,130.20	22,130.20	-
US DOJ Body Armor Grant	3,178.22	1,550.00	4,728.22	(0.00)
Total Section F: Special Items - Public and Private Programs	108,103.03	67,794.92	175,897.95	-
Offset with Appropriations				
Section G: Other Special Items				
Uniform Fire Safety Act	5,000.00		7,481.58	2,481.58
Library Maintenance Agreement	20,500.00		20,500.00	-
Library Reimbursement per Moriority Law	25,000.00		25,000.00	-
Total Section G: Other Special Items	50,500.00	-	52,981.58	2,481.58
Total Miscellaneous Revenue	2,850,720.03	67,794.92	3,179,133.40	260,618.45
Receipts from Delinquent Taxes	450,000.00	-	559,211.56	109,211.56
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	8,241,046.20		8,629,667.27	388,621.07
Minimum Library Tax	304,404.28		304,404.28	-
Budget Totals	13,146,170.51	67,794.92	13,972,416.51	758,451.08
Nonbudget Revenues	-	-	106,480.26	106,480.26
\$	13,146,170.51	67,794.92	14,078,896.77	864,931.34

See Accompanying Notes to Financial Statements

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

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:

Revenue from Collections	\$	<u>27,865,385.98</u>
Net Revenue from Collections		27,865,385.98
Allocated to:		
School and County Taxes		<u>20,102,015.63</u>
Balance for Support of Municipal Budget Appropriations		7,763,370.35
Add:		
Appropriations "Reserve for Uncollected Taxes"		<u>1,170,701.20</u>
Amount for Support of Municipal Budget Appropriations		<u><u>8,934,071.55</u></u>
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections	556,562.05	
Tax Title Lien Collections	<u>2,649.51</u>	
	\$	<u><u>559,211.56</u></u>

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

ANALYSIS OF REALIZED REVENUES (Continued)

Analysis of Non-Budget Revenues:

Photocopies	\$	79.55	
Books, Maps and Copies of Ordinance		100.00	
Foreclosure Registrations		17,100.00	
Recycling Fees		1,315.14	
Zoning Fees		5,250.00	
Resale - Construction		29,805.00	
License - Construction		1,200.00	
Administrative Operations		20,248.83	
Miscellaneous		<u>31,381.74</u>	
			\$ <u><u>106,480.26</u></u>

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

	APPROPRIATIONS			EXPENDITURES			(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED		
OPERATIONS WITHIN "CAP"							
GENERAL GOVERNMENT:							
Administrative and Executive							
Salaries and Wages	4,000.00	4,000.00	4,000.00				
Other Expenses	70,000.00	65,000.00	60,015.47	2,257.33	2,727.20		
Mayor and Council							
Salaries and Wages	71,750.00	71,750.00	71,713.89		36.11		
Other Expenses	3,500.00	3,500.00	2,460.00	700.00	340.00		
City Clerk							
Salaries and Wages	106,500.00	106,500.00	106,500.00				
Other Expenses	16,000.00	16,000.00	12,939.29	581.99	2,478.72		
Financial Administration							
Salaries and Wages	90,000.00	90,000.00	90,000.00				
Other Expenses	7,500.00	7,500.00	5,353.50	1,234.45	912.05		
Municipal Prosecutor							
Other Expenses	12,000.00	8,000.00	4,997.78		3,002.22		
Audit Services							
Other Expenses	36,000.00	31,000.00	31,000.00				
Public Defender							
Other Expenses:	2,000.00	2,000.00	750.00		1,250.00		
Revenue Administration (Tax Collector)							
Salaries and Wages	89,000.00	87,000.00	87,000.00				
Other Expenses:	8,950.00	8,950.00	8,892.25		57.75		
Tax Assessment Administration							
Salaries and Wages	33,700.00	33,700.00	33,672.06		27.94		
Other Expenses	6,000.00	6,000.00	4,323.00		1,677.00		
Legal Services and Costs							
Other Expenses	155,000.00	195,000.00	108,645.04	70,740.91	15,614.05		
Insurance							
Workers' Compensation	276,000.00	273,000.00	271,491.89		1,508.11		
Group Insurance	1,640,000.00	1,655,000.00	1,649,649.68	5,035.20	315.12		
Other Insurance	164,000.00	189,000.00	166,600.80	20,000.00	2,399.20		
Health Benefit Waiver	25,000.00	20,000.00	2,307.72		17,692.28		
Economic Development Commission							
Other Expenses	1,000.00	1,000.00	-		1,000.00		
Municipal Court							
Salaries and Wages	40,000.00	40,000.00	37,234.71		2,765.29		
Other Expenses	13,000.00	13,000.00	10,412.80		2,587.20		
Planning Board							
Salaries and Wages	8,500.00	8,500.00	7,999.46		500.54		
Other Expenses	15,000.00	15,000.00	13,632.39	696.00	671.61		

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAP" (Continued)</u>						
Engineering Services and Costs	\$ 25,000.00	25,000.00	23,273.75	350.00	1,376.25	
Other Expenses	2,919,400.00	2,975,400.00	2,814,865.48	101,595.88	58,938.64	-
TOTAL General Government						
DEPARTMENT OF PUBLIC SAFETY:						
Fire Official						
Salaries and Wages	9,000.00	9,000.00	8,398.36		601.64	
Other Expenses	1,000.00	1,000.00	214.11	59.97	725.92	
Fire Department						
Salaries and Wages	525,000.00	525,000.00	516,134.16		8,865.84	
Other Expenses:						
Fire Hydrant						
Miscellaneous	92,000.00	94,500.00	92,545.20		1,954.80	
Other Expenses	35,000.00	35,000.00	27,365.93	7,487.62	146.45	
Police Department						
Salaries and Wages	1,995,000.00	1,987,000.00	1,959,933.82	32,933.49	27,066.18	
Other Expenses	78,000.00	83,000.00	47,881.36		2,185.15	
Office of Emergency Management						
Salaries and Wages	4,500.00	4,500.00	4,166.67		333.33	
Other Expenses	4,000.00	4,000.00	1,652.26	2,200.10	147.64	
Emergency Medical Services	18,000.00	18,000.00	15,000.00	3,000.00	-	
TOTAL Public Safety	2,761,500.00	2,761,000.00	2,673,291.87	45,681.18	42,026.95	-
STREETS AND ROADS:						
Streets and Road Maintenance						
Salaries and Wages	500,000.00	500,000.00	475,233.28		24,766.72	
Other Expenses	18,000.00	18,000.00	12,860.99	1,715.01	3,424.00	
Reserve for Snow Removal	1.00	1.00	-		1.00	
Maintenance of Automotive Equipment						
Other Expenses	70,000.00	62,000.00	46,161.10	4,597.06	11,241.84	
Solid Waste Collection						
Tipping Fees	715,000.00	705,000.00	635,011.12	66,507.52	3,481.36	
Public Buildings and Grounds						
Other Expenses	75,000.00	75,000.00	69,728.07	1,166.75	4,105.18	
Maintenance of Bike Path	2,000.00	2,000.00	-		2,000.00	
TOTAL Streets and Roads	1,380,001.00	1,362,001.00	1,238,994.56	73,986.34	49,020.10	-

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAP" (Continued)						
SANITATION						
Sewerage						
Salaries and Wages	\$ 90,000.00	74,500.00	63,860.28		10,639.72	
Other Expenses	30,000.00	30,000.00	16,980.50	392.81	12,626.69	
TOTAL Sanitation	120,000.00	104,500.00	80,840.78	392.81	23,266.41	
HEALTH AND WELFARE:						
Dog Regulation						
Other Expenses	9,300.00	9,300.00	8,525.00	775.00	-	
TOTAL Health and Welfare	9,300.00	9,300.00	8,525.00	775.00	-	
RECREATION AND EDUCATION:						
Parks and Playgrounds						
Salaries and Wages	62,000.00	62,000.00	57,360.01		4,639.99	
Other Expenses	6,000.00	6,000.00	5,971.93		28.07	
Neighborhood Programs						
Miscellaneous Other Expenses:						
FAN	4,500.00	4,500.00	224.00		4,276.00	
Babe Ruth	2,500.00	2,500.00	921.57		1,578.43	
Little League	1,500.00	1,500.00	1,452.50		47.50	
Senior Citizens	1,000.00	1,000.00	907.95		92.05	
Conservation Commission						
Other Expenses	500.00	500.00	-		500.00	
TOTAL Recreation and Education	78,000.00	78,000.00	66,837.96	-	11,162.04	-
UNIFORM CONSTRUCTION CODE (N.J.A.C. 5:23-4.17)						
Construction Code Official						
Salaries and Wages	86,000.00	86,000.00	83,747.94		2,252.06	
Other Expenses	22,000.00	22,000.00	19,108.28		2,891.72	
Zoning / Housing Officer						
Salaries and Wages	43,000.00	43,000.00	42,030.87		969.13	
Other Expenses	1,000.00	1,000.00	567.37		432.63	
Total Uniform Construction Code	152,000.00	152,000.00	145,454.46	-	6,545.54	-

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAP" (Continued)						
UNCLASSIFIED:						
Utilities:						
Petroleum Products	\$ 65,000.00	40,000.00	28,905.60	3,492.88	7,601.52	
Electricity & Natural Gas	265,000.00	265,000.00	238,141.94	4.88	26,853.18	
Telephone & Telecommunications	50,000.00	51,500.00	51,259.90		240.10	
Water	7,000.00	7,500.00	7,234.29		265.71	
Street Sweeping	1.00	1.00	-		1.00	
TOTAL Unclassified	387,001.00	364,001.00	325,541.73	3,497.76	34,961.51	-
TOTAL OPERATIONS - WITHIN "CAP"	7,807,202.00	7,806,202.00	7,354,351.84	225,928.97	225,921.19	-
Detail:						
Salaries and Wages	3,757,950.00	3,732,450.00	3,648,985.51	-	83,464.49	-
Other Expenses	4,049,252.00	4,073,752.00	3,705,366.33	225,928.97	142,456.70	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAP":						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	184,676.00	184,676.00	184,676.00			
Police and Firemen's Retirement System	597,985.00	598,985.00	598,783.64		201.36	
Social Security System (O.A.S.I.)	170,000.00	170,000.00	166,063.30		3,936.70	
Defined Contribution Retirement Program	6,000.00	6,000.00	4,812.30		1,187.70	
Reserve for Accumulated Leave	500.00	500.00	500.00			
Unemployment Compensation Insurance	17,000.00	17,000.00	13,605.45		3,394.55	
TOTAL Deferred Charges and Statutory Expenditures - within "CAP"	976,161.00	977,161.00	968,440.69	-	8,720.31	-
TOTAL General Appropriations for Municipal Purposes - within "CAP"	8,783,363.00	8,783,363.00	8,322,792.53	225,928.97	234,641.50	-

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

	APPROPRIATIONS		EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAP"</u>					
Maintenance of Free Public Library (P.L. 1985, c.82 and 541)	\$ 304,404.28	304,404.28	304,404.28	-	-
Atlantic County Utilities Authority Service	864,000.00	864,000.00	863,086.00	914.00	-
Charge - Contractual	16,000.00	16,000.00	-	16,000.00	-
LOSAP					
Dispatch					
Other Expenses	370,000.00	370,000.00	370,000.00	-	-
Linwood Share Sewerage - Interlocal Service Agreement	140,000.00	140,000.00	122,331.72	311.25	17,357.03
Linwood Share of Court Costs					
Interlocal Service Agreement	124,731.00	124,731.00	123,042.87	1,688.13	-
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES - EXCLUDED FROM "CAP"</u>					
Drunk Driving Enforcement Fund	2,533.97	5,933.03	5,933.03		
State Body Armor Grant	2,183.88	4,287.85	4,287.85		
Recycling Tonnage Grant	26,435.96	26,435.96	26,435.96		
Alcohol Education Rehab		936.69	936.69		
Community Development Block Grant		22,675.00	22,675.00		
Click it or Ticket		5,000.00	5,000.00		
Drive Sober or Get Pulled Over		10,000.00	10,000.00		
Clean Communities		22,130.20	22,130.20		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	13,771.00	13,771.00	13,771.00		
Local Share	3,443.00	3,443.00	3,443.00		
Safe and Secure Program					
State Share	60,000.00	60,000.00	60,000.00		
Local Share	83,715.00	83,715.00	83,715.00		
US DOJ Body Armor Grant	3,178.22	4,728.22	4,728.22		
TOTAL OPERATIONS - EXCLUDED FROM "CAP"	2,014,396.31	2,082,191.23	2,045,920.82	311.25	-
Detail:					
Salaries and Wages	148,432.85	153,935.88	153,935.88	-	-
Other Expenses	1,865,963.46	1,928,255.35	1,891,984.94	311.25	35,959.16

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		EXPENDITURES			(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID	ENCUMBERED	RESERVED	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAP":						
Capital Improvement Fund	\$ 100,000.00	100,000.00	100,000.00	-	-	
Firefighter Protection Equipment	6,000.00	6,000.00	6,000.00			
Sewer Repairs	25,000.00	25,000.00	-		25,000.00	
Computer/Electronic Equipment	25,000.00	25,000.00	24,793.50		206.50	
TOTAL Capital Improvement Fund - Excluded from "CAP"	156,000.00	156,000.00	130,793.50	-	25,206.50	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	850,000.00	850,000.00	850,000.00			
Payment of Bond Anticipation Notes & Capital Notes	157,710.00	-	157,710.00			
Interest on Bonds	14,000.00	14,000.00	13,808.26			191.74
TOTAL Municipal Debt Service - Excluded from "CAP"	1,021,710.00	1,021,710.00	1,021,518.26	-		
TOTAL General Appropriations for Municipal Purposes - Excluded from "CAP"	3,192,106.31	3,259,901.23	3,198,232.58	311.25	61,165.66	-
SUBTOTAL GENERAL APPROPRIATIONS	11,975,469.31	12,043,264.23	11,521,025.11	226,240.22	295,807.16	-
RESERVE FOR UNCOLLECTED TAXES	1,170,701.20	1,170,701.20	1,170,701.20	1,170,701.20		
TOTAL GENERAL APPROPRIATIONS	\$ 13,146,170.51	13,213,965.43	12,691,726.31	1,396,941.42	295,807.16	-

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

	BUDGET AFTER MODIFICATION	PAID
Appropriation by N.J.S. 40A:4-47 Budget	\$ 67,794.92 13,146,170.51 <hr style="border: 0.5px solid black;"/> \$ 13,213,965.43	
Reserve for Federal and State Grants Reserve for Uncollected Taxes Disbursed	\$ 263,055.95 1,170,701.20 11,257,969.16 <hr style="border: 0.5px solid black;"/> \$ 12,691,726.31	

See Accompanying Notes to Financial Statements

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EXHIBIT B - TRUST FUNDS

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**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Animal Control Fund:		
Cash - Treasurer	\$ <u>2,627.60</u>	<u>2,125.80</u>
	<u>2,627.60</u>	<u>2,125.80</u>
Other Funds:		
Cash - Treasurer	1,188,589.18	1,351,429.25
Cash - Tax Collector	311,714.44	239,943.91
Due from Current Fund	-	96.37
Small Cities Revolving Loans Receivable	<u>36,997.50</u>	<u>44,397.50</u>
	<u>1,537,301.12</u>	<u>1,635,867.03</u>
LOSAP (Unaudited)		
Investments - Held for LOSAP	<u>251,573.60</u>	<u>206,093.21</u>
	<u>1,791,502.32</u>	<u>1,844,086.04</u>

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Liabilities, Reserves, and Fund Balance</u>	<u>2016</u>	<u>2015</u>
Animal Control Fund:		
Due to the State	1.20	
Reserve for Animal Control Fund Expenditures	<u>2,626.40</u>	<u>2,125.80</u>
	<u>2,627.60</u>	<u>2,125.80</u>
Other Funds:		
Due to Current Fund	-	
Reserves for:		
Law Enforcement Forfeiture	37,502.02	40,020.66
Escrow Fees	154,366.55	188,448.60
Snow Removal	38,316.77	38,316.77
Small Cities Grant Appropriation	188,895.69	181,495.69
Recreation Expenditures	80,510.16	124,072.35
Cultural Committee	4,323.02	5,895.16
Municipal Alliance	-	-
Outside Employment of Police	744.79	3,116.88
POAA	131.78	121.78
Public Defender	3,203.00	4,280.00
Recycling	61,877.79	37,964.51
Accumulated Sick and Vacation	610,284.62	718,264.23
Small Cities Revolving Loan	36,997.50	44,397.50
Tax Sale Premiums	301,840.08	232,940.08
Tax Liens	9,874.36	7,003.83
Joint Insurance Funds	<u>8,432.99</u>	<u>9,528.99</u>
	<u>1,537,301.12</u>	<u>1,635,867.03</u>
LOSAP (Unaudited)		
Reserve for LOSAP	<u>251,573.60</u>	<u>206,093.21</u>
	<u>\$ 1,791,502.32</u>	<u>1,844,086.04</u>

See Accompanying Notes to Financial Statements

EXHIBIT C - GENERAL CAPITAL FUND

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**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2016	2015
<u>Assets</u>		
Cash - Treasurer	\$ 3,501,851.35	1,293,609.15
Due from Current Fund		
Deferred Charges to Future Taxation:		
Funded	9,549,000.00	5,724,000.00
Unfunded	188,500.00	3,334,500.00
	13,239,351.35	10,352,109.15
 <u>Liabilities, Reserves and Fund Balance</u>		
Bond Anticipation Notes Payable	-	1,752,750.00
Serial Bonds Payable	9,549,000.00	5,724,000.00
Contracts Payable	727,898.16	748,712.40
Improvement Authorizations:		
Funded	2,452,127.04	240,113.98
Unfunded	188,500.00	1,777,193.95
Reserve for:		
Capital Improvement Fund	19,398.00	398.00
Fund Balance	302,428.15	108,940.82
	\$ 13,239,351.35	10,352,109.15

There were Bonds and Notes Authorized But Not Issued on December 31, 2016 and 2015 of \$188,500 and \$1,581,750, respectively.

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>2016</u>	<u>2015</u>
Balance January 1,	\$ 108,940.82	108,940.82
Increased by:		
Premium on Sale of Bonds	<u>193,487.33</u>	<u>-</u>
Balance December 31,	<u>\$ 302,428.15</u>	<u>108,940.82</u>

EXHIBIT G - GENERAL FIXED ASSETS

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**GENERAL FIXED ASSET FUND
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
General Fixed Assets:		
Land, Building & Improvements	\$ 5,473,737.49	5,473,737.49
Machinery and Equipment	<u>4,817,635.81</u>	<u>4,761,809.49</u>
Total General Fixed Assets	<u><u>10,291,373.30</u></u>	<u><u>10,235,546.98</u></u>
<u>Reserves</u>		
Investment in General Fixed Assets	\$ <u><u>10,291,373.30</u></u>	<u><u>10,235,546.98</u></u>

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the City of Northfield include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Northfield, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Northfield Public Library is a component unit of the City. A separate audit is performed for the Library and will be made available for inspection upon completion.

B. Description of Funds

The accounting policies of the City of Northfield conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 the respect to public funds. Under this method of accounting, the City of Northfield accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more **significant** policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

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

Revenues -- are recorded as received in cash except for certain amounts that are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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 the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the City's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

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

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

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

General Fixed Assets -- The entity has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. No depreciation has been provided for in the financial statements.

Any capital assets of \$1,000 or more are capitalized.

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

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.

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the City of Northfield to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the City of Northfield to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the entity's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

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

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016 establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the City is no expected to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77, "Tax Abatement Disclosure". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73". This statement is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the City's financial reporting, however will affect the disclosure of pension related items.

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 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of \$1,170,701.20 and \$991,417.32. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was \$1,300,000 and \$1,660,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by the City Council. The following significant budget transfers were approved in the 2016 and 2015 calendar years:

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

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
Administrative and Executive		
Other Expenses		9,250.00
Legal Services		
Other Expenses	\$ 40,000.00	
Insurance		
Group Insurance	15,000.00	
Other Insurance	25,000.00	
Solid Waste Collection		
Other Expenses	(10,000)	
Sewerage		
Salaries and Wages	(15,500)	
Petroleum Products	(25,000.00)	(10,000.00)

NJSA 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. During 2016 and 2015, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
Safe and Secure Communities Grant		30,000.00
Community Development Block Grant	22,675.00	6,055.00
2015 Municipal Aid		190,000.00
Click It or Ticket	5,000.00	4,000.00
DDEF	3,399.06	
State Body Armor Grant	2,103.97	
Alcohol Education Rehab	936.69	
Drive Sober or Get Pulled Over	10,000.00	
Clean Communities	22,130.20	
US DOJ Body Armor Grant	1,550.00	

The entity 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 for 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. As of December 31, 2016 the City had no special emergencies.

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

Note 3: INVESTMENTS

Interest Rate Risk. The municipality 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 allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: 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 municipality places no limit on the amount the entity can invest in any one issuer.

Unaudited Investments. As more fully described in Note 19, the City has created a Length of Service Awards Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2016 and 2015 amounted to \$251,573.60 and \$206,093.21, respectively.

Note 4: 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 municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the 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. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, \$1,162,056.16 and \$1,803,182.31 of the municipality's bank balance of \$8,788,687.86 and \$5,687,268.07 was exposed to custodial credit risk.

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

Note 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2016 and 2015:

	Balance 12/31/2014	Additions	Retirements/ Adjustments	Balance 12/31/2015
Land, Buildings and Improvements	\$ 5,473,737.49			5,473,737.49
Equipment and Machinery	4,984,845.91	96,752.44	319,788.86	4,761,809.49
	<u>\$ 10,458,583.40</u>	<u>96,752.44</u>	<u>319,788.86</u>	<u>10,235,546.98</u>

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Land, Building and Improvements	\$ 5,473,737.49			5,473,737.49
Equipment and Machinery	4,761,809.49	345,059.32	(289,233.00)	4,817,635.81
	<u>10,235,546.98</u>	<u>345,059.32</u>	<u>(289,233.00)</u>	<u>10,291,373.30</u>

Note 6: LONG TERM DEBT

Long-term debt as of December 31, 2016 and 2015 consisted of the following:

	Balance 12/31/14	Issued	Retired	Balance 12/31/15	Amounts Due Within One Year
General	\$ 6,809,000.00		1,085,000.00	5,724,000.00	850,000.00
Net PFRS	9,163,875.00	3,089,721.00		12,253,596.00	
Net PERS	3,827,735.00	994,241.00		4,821,976.00	
Compensated Absences Payable	1,431,294.91		4,002.36	1,427,292.55	-
Total long-term liabilities	<u>\$ 21,231,904.91</u>	<u>4,083,962.00</u>	<u>1,089,002.36</u>	<u>24,226,864.55</u>	<u>850,000.00</u>

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

	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
General	\$ 5,724,000.00	4,675,000.00	850,000.00	9,549,000.00	1,085,000.00
Net PFRS	12,253,596.00	1,072,545.00		13,326,141.00	
Net PERS	4,821,976.00	1,357,816.00		6,179,792.00	
Compensated Absences Payable	1,427,292.55	377,351.12	541,203.64	1,263,440.03	-
Total long-term liabilities	<u>\$ 24,226,864.55</u>	<u>7,482,712.12</u>	<u>1,391,203.64</u>	<u>30,318,373.03</u>	<u>1,085,000.00</u>

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the entity:

\$4,999,000 General Improvement Bond dated 11/15/06 payable in annual installments through 12/1/2018. Interest is paid semiannually at a rate of 3.5% to 4.00% per annum. The balance remaining as of December 31, 2016 was \$1,099,000.

\$4,650,000 General Improvement Bond dated 10/23/12 payable in annual installments through 10/23/2027. Interest is paid semiannually at a rate of 2.00% to 3.00% per annum. The balance remaining as of December 31, 2016 was \$3,775,000.

\$4,675,000 General Improvement Bond dated 10/19/16, payable in annual installments through 10/15/2032. Interest is paid semiannually at a rate of 2.00% to 5.00% per annum. The balance remaining as of December 31, 2016 was \$4,675,000.

Schedule of Annual Debt Service for Principal and Interest for Loans Issued and Outstanding

Year	General Fund		Total
	Principal	Interest	
2017	\$ 1,085,000.00	301,991.00	1,386,991.00
2018	1,069,000.00	269,791.00	1,338,791.00
2019	580,000.00	236,231.00	816,231.00
2020	590,000.00	220,031.00	810,031.00
2021	595,000.00	203,431.00	798,431.00
2022-2026	3,175,000.00	717,656.00	3,892,656.00
2027-2031	2,080,000.00	218,400.00	2,298,400.00
2032	375,000.00	11,250.00	386,250.00
	<u>\$ 9,549,000.00</u>	<u>2,178,781.00</u>	<u>11,727,781.00</u>

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

<u>Summary of Municipal Debt</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
Bonds, Loans and Notes	\$ 9,549,000.00	5,724,000.00	6,809,000.00
Bond Anticipation Notes	-	1,752,750.00	1,752,750.00
Authorized But Not Issued	188,500.00	1,581,750.00	1,581,750.00
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 9,737,500.00</u>	<u>9,058,500.00</u>	<u>10,143,500.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.041%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 5,371,000.00	5,371,000.00	-
Regional School Debt	11,274,642.84	11,274,642.84	-
General Debt	9,737,500.00		9,737,500.00
	<u>\$ 26,383,142.84</u>	<u>16,645,642.84</u>	<u>9,737,500.00</u>

Net Debt \$9,737,500÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$935,372,683.33 = 1.041%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 32,738,043.91
Net Debt	9,737,500.00
Remaining Borrowing Power	<u>\$ 23,000,543.91</u>

The City of Northfield School District, as a K-8 school district, is permitted to borrow up to 3% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

Note 7: 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 year ending December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current Fund	\$ 1,335,000.00	1,300,000.00

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

Note 8: SCHOOL TAXES

Local District School Taxes and Regional High School Taxes have been raised on a calendar year basis. There were no Local District School Taxes or Regional High School Taxes payable at December 31, 2016,

Note 9: 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:

	Balance 12/31/16	Balance 12/31/15
Prepaid Taxes	\$ 176,267.75	132,948.19
Cash Liability for Taxes Collected in Advance	\$ 176,267.75	132,948.19

Note 10: PENSION FUNDS

Description of Plans

Substantially all of the entity's employees participate in the Public Employees' Retirement System (PERS) cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at

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<http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

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

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.06%, through June 30, 2016 and 7.13% thereafter, of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 6.99% of covered payroll. The City's contributions to PERS for the years ended December 31, 2016, 2015, and 2014 were \$184,676.00, \$168,540.00 and \$151,563.61.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the year ended December 31, 2016, 2015, and 2014 were \$597,985.00, \$555,758.62, and \$554,371.12.

The total payroll for the year ended December 31, 2016 was \$3,809,632.53. Payroll covered by PERS was \$1,363,949. Payroll covered by PFRS was \$2,181,142.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.

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

- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

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

Note 11: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Municipality has a liability of \$6,179,792.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be .02086559890%, which would be a decrease of 2.86% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$613,547. At December 31, 2016, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 114,925	
Changes of assumptions	1,280,123	
Changes in proportion	166,226	(22,694)
Net difference between projected and actual earnings on pension plan investments	235,641	
Total	<u>\$ 1,796,915</u>	<u>(22,694)</u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

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

<u>Year ended June 30,</u>		
2017	\$	401,517
2018		401,517
2019		459,017
2020		384,121
2021		128,049
Total	<u>\$</u>	<u>1,774,221</u>

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

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

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

**CITY OF NORTHFIELD
NOTES TO FINANCIAL STATEMENTS
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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 inflations. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except 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% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the 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.

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

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 7,405,886	6,179,792	5,168,632

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$13,326,141 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be .06976103050%, which would be a decrease of 5.17% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$1,321,316. At December 31, 2016, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience		
Changes of assumptions	1,845,780	-87355
Changes in proportion	101,991	(557,734)
Net difference between projected and actual earnings on pension plan investments	933,736	
Total	<u>\$ 2,881,507</u>	<u>(645,089)</u>

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

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	540,794
2017		540,794
2018		717,794
2019		420,500
2020		16,536
Total	<u>\$</u>	<u>2,236,418</u>

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

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

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

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

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

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

Discount Rate

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

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

the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality’s proportionate share of the 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, 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:

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	\$ 16,940,946	13,326,141	10,379,669

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2016 State special funding situation net pension liability amount of \$1,604,141,087.00, is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2016 State special funding situation pension expense of \$204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State’s contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.06976103050% for 2016. The net pension liability amount allocated to the Municipality was \$1,119,065. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$142,931 is allocated to the Municipality.

Pension plan fiduciary net position.

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PFRS financial report.

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

Note 12: POST-RETIREMENT BENEFITS

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at to <http://www.state.nj.us/treasury/pensions/shbp.htm>

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City of Northfield on a monthly basis. The rates charged by the system for the year ended December 31, 2016 vary according to the type of coverage selected by the retiree.

The City of Northfield is a member of the SHBP and provides that its retirees will be covered if they have participated in either the PERS or the PFRS for 25 years. During 2016, 2015 and 2014 the City paid \$649,554.33, \$647,748.61 and \$688,824.84 for retirees.

Note 13: LABOR CONTRACTS

As of December 31, 2016, the City's employees were organized in three collective bargaining units. The contracts with Policeman's Benevolent Association (PBA) will expire December 31, 2017, Government Workers Union (GWU) will expire December 31, 2017 and International Association of Firefighters (IAFF) will expire December 31, 2019.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>
PBA	Police	All uniformed police
GWU	Supervisory Employees and White and Blue Collar	All other employees except exempt employees, police and fire
IAFF	Fire	Most Department Heads

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

Note 14: ACCRUED SICK AND VACATION BENEFITS

City employees are covered by union contracts specifying that vacation time may be carried over to the next calendar year, with prior permission. Sick leave may be accumulated from year to year and used as needed. Each contract details the amounts an employee will be compensated at retirement based on the current rate of pay upon retirement. It is estimated that the current cost of such unpaid compensation would approximate \$1,263,439.98 and \$1,427,292.55 as of December 31, 2016 and 2015, respectively. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absence liability. The City has established a reserve trust fund the balance at December 31, 2016 and 2015 is \$610,284.62 and \$718,264.23, respectively.

Note 15: ECONOMIC DEPENDENCY

The City of Northfield is not economically dependent on any one business or industry as a major source of tax revenue for the entity.

Note 16: RISK MANAGEMENT

The entity is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The entity maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2016 and 2015 the entity did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The entity is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The entity is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The entity has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

Note 17: DEFERRED COMPENSATION

Employees of the City of Northfield may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the entity. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

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

As part of its fiduciary role, the entity has an obligation of due care in selecting the third party administrator. In the opinion of the entity's legal counsel, the entity has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 18: CONTINGENT LIABILITIES

From time to time, the entity is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the entity's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

Note 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2016, the following interfunds were included on the balance sheets of the various funds of the City of Northfield:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund		71,028.68
Grant Fund:		
Current Fund	71,028.68	
	<u>\$ 71,028.68</u>	<u>71,028.68</u>

The amounts due to the Grant fund from the Current fund is due to the fact that the City does not receive all grant funds prior to expenditures being made, therefore all disbursements must be made through the Current Fund.

Note 20: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

In 2001, the voters of the City of Northfield approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services, and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP document. The City appropriated \$16,000 and \$16,000 in the 2016 and 2015 budgets, respectively for contributions to the LOSAP for volunteers who have met the established criteria.

The LOSAP is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the City subject only to the claims of the City's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The City believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

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

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The City of Northfield issues a separate unaudited financial report that includes the statement of net assets available for benefits for the LOSAP. The financial report may be obtained by contacting the City of Northfield, 1600 Shore Road, Northfield, NJ 08225.

Note 21: SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 9, 2017, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

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SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Northfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2017 which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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.

Compliance and Other Matters

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

May 9, 2017

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		Current Fund
Balance December 31, 2015		\$ 2,842,094.79
Increased by Receipts:		
Taxes Receivable	28,175,499.84	
Due from State of New Jersey (c.73, P.L.1976)	110,000.00	
Prepaid Taxes	176,267.75	
Lien Payments	2,649.51	
Tax Overpayments	7,416.86	
Sewer Overpayments	180.00	
Sale of Municipal Assets	52,609.38	
Federal and State Grants	351,348.54	
Miscellaneous Revenue Anticipated	2,978,235.45	
Miscellaneous Revenue Not Anticipated	106,480.26	
Due State for DCA Fees	7,219.00	
Due State for Marriage Licenses	90.00	
		<u>31,967,996.59</u>
Decreased by Disbursements:		
2015 Appropriation Reserves	200,883.14	
2016 Appropriations	11,257,969.16	
County Taxes	4,315,585.86	
Regional High School Tax	6,095,680.00	
Local District School Tax	9,698,959.00	
Due to State for Burial Fees	40.00	
Due to Trust	96.37	
Due State for Marriage Licenses	115.00	
Due State for DCA	9,239.00	
Refund of Sewer Overpayments	180.00	
Refund of Tax Overpayments	41,856.20	
Federal and State Grant Expenditures	300,539.05	
		<u>31,921,142.78</u>
Balance December 31, 2016		\$ <u><u>2,888,948.60</u></u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Analysis of 2016 Property Tax Levy	
Tax Yield:	
General Property Tax	28,617,992.79
Added Taxes (54:4-63.1 et. seq.)	<u>54,801.66</u>
	<u><u>28,672,794.45</u></u>
Tax Levy:	
Regional High School Tax (Abstract)	6,095,680.00
Local School District Tax (Abstract)	9,698,959.00
County Taxes:	
County Tax (Abstract)	4,100,953.59
County Health Service Tax (Abstract)	188,745.49
County Open Space Tax (Abstract)	14,704.64
Due County for Added Taxes (R.S. 54:4-63.1 et seq.)	<u>2,972.91</u>
Total County Taxes	4,307,376.63
Local Tax for Municipal Purposes	8,241,046.20
Add: Minimum Library Tax	304,404.28
Add: Additional Tax Levied	<u>25,328.34</u>
	<u>8,570,778.82</u>
	<u><u>28,672,794.45</u></u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF SEWER RENTS RECEIVABLE**

Balance December 31, 2015		\$ 82,080.29
Increased by:		
Sewer Billings		<u>1,424,205.50</u>
		1,506,285.79
Decreased by:		
Cancelations	14,593.79	
Collections	<u>1,423,819.30</u>	
		<u>1,438,413.09</u>
Balance December 31, 2016		\$ <u><u>67,872.70</u></u>

**CURRENT FUND
SCHEDULE OF LIENS**

Balance December 31, 2015		\$	32,175.20
Increased by:			
Tax Sale			
Interest and Cost from Tax Sale			
Transfers	12,015.41		
			12,015.41
			44,190.61
Decreased by:			
Tax Title Lien Collections	2,649.51		
Miscellaneous Liens Collected in 2016			
			2,649.51
Balance December 31, 2016		\$	41,541.10
Analysis of Balance:			
Tax Title Liens	31,414.35		
Sewer Liens	325.00		
Miscellaneous Liens	9,801.75		
			41,541.10

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance 12/31/15	Accrued In 2016	Collected	Balance 12/31/16
Miscellaneous Revenues Anticipated:				
Alcoholic Beverage Licenses	\$ -	7,500.00	7,500.00	-
Other Licenses	-	78,449.40	78,449.40	-
Fees and Permits	-	71,187.18	71,187.18	-
Municipal Court:				
Fines and Costs	7,854.32	115,953.29	117,443.65	6,363.96
Interest and Costs on Taxes	-	137,425.30	137,425.30	-
Interest on Investments and Deposits	-	15,957.82	15,957.82	-
Sewerage Rentals	-	1,423,819.30	1,423,819.30	-
Energy Receipt Taxes	-	627,452.00	627,452.00	-
Consolidated Municipal Tax Relief Act	-	4,934.00	4,934.00	-
Uniform Construction Code Fees	-	144,567.00	144,567.00	-
Linwood Share - Sewerage Department Costs-	-			-
Interlocal Service Agreement	-	196,787.22	196,787.22	-
Linwood Share - Court Costs	-	124,731.00	124,731.00	-
Uniform Fire Safety Act Fees	-	7,481.58	7,481.58	-
Library Reimbursement per Moriarity Law	-	25,000.00	25,000.00	-
Library Maintenance Agreement	-	20,500.00	20,500.00	-
	\$ 7,854.32	3,001,745.09	3,003,235.45	6,363.96
		Cash Receipts	\$ 2,978,235.45	
		Prior Receipts	25,000.00	
			\$ 3,003,235.45	

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES**

	Balance 12/31/15	Balance After Transfers	Paid	Balance Lapsed
Operations Within "CAP":				
General Administration				
Other Expenses	\$ 12,887.94	12,887.94	2,344.21	10,543.73
Mayor and Council				
Other Expenses	623.95	623.95	400.00	223.95
City Clerk				
Other Expenses	5,367.52	5,367.52	(164.21)	5,531.73
Financial Administration				
Other Expenses	5,461.93	5,461.93	635.51	4,826.42
Planning Board				
Other Expenses	2,370.44	2,370.44	1,481.93	888.51
Legal Services and Costs				
Other Expenses	42,571.55	42,571.55	27,368.90	15,202.65
Engineering				
Other Expenses	6,224.25	6,224.25	5,658.75	565.50
Construction				
Other Expenses	1,167.98	1,167.98	477.00	690.98
Insurance				
Other Insurance	31,309.66	31,309.66	31,309.66	-
Group Insurance				
Other Insurance	41,198.03	41,198.03	8,058.80	33,139.23
Public Buildings and Grounds				
Other Expenses	11,046.63	11,046.63	273.21	10,773.42
Solid Waste Tipping Fees	59,851.96	59,851.96	59,807.66	44.30
Vehicle Maintenance				
Other Expenses	28,941.43	28,941.43	4,216.07	24,725.36
Sewer				
Salaries and Wages	27,812.26	27,812.26	1,096.93	26,715.33
Other Expenses	4,346.30	4,346.30	114.62	4,231.68
Police Services				
Salaries and Wages	51,246.74	51,246.74	(1,686.00)	52,932.74
Other Expenses	7,230.80	7,230.80	233.82	6,996.98
Emergency Management				
Other Expenses	5,004.49	5,004.49	1,500.00	3,504.49
Fire Department				
Other Expenses	18,084.59	18,084.59	16,224.96	1,859.63
Municipal Court				
Other Expenses	4,853.21	4,853.21	192.34	4,660.87
Streets and Roads				
Other Expenses	5,801.70	5,801.70	2,599.40	3,202.30
Senior Citizens				
Other Expenses	1,000.00	1,000.00	500.00	500.00

See Accompanying Auditor's Report

**CURRENT FUND
 SCHEDULE OF APPROPRIATION RESERVES**

	<u>Balance 12/31/15</u>	<u>Balance After Transfers</u>	<u>Paid</u>	<u>Balance Lapsed</u>
Utilities				
Gasoline	\$ 36,505.85	36,505.85	2,598.94	33,906.91
Electricity	29,484.61	29,484.61	10,618.19	18,866.42
Telephone and Telegraph	7,750.61	7,750.61	219.15	7,531.46
Capital Improvements Excluded from "CAP":				
Firefighter Protection Equipment	6,000.00	6,000.00	5,976.00	24.00
Sewer Repairs	13,595.40	13,595.40	4,984.25	8,611.15
LOSAP	16,000.00	16,000.00	11,250.00	4,750.00
Linwood - Sewer Interlocal Agreement	4,704.15	4,704.15	93.05	4,611.10
Linwood - Court Interlocal Agreement	6,763.65	6,763.65	2,500.00	4,263.65
Other Accounts - No Changes	<u>156,595.98</u>	<u>156,595.98</u>		<u>156,595.98</u>
	\$ <u>651,803.61</u>	<u>651,803.61</u>	<u>200,883.14</u>	<u>450,920.47</u>
Appropriation Reserves	\$ 418,187.97			
Encumbrances Payable	<u>233,615.64</u>			
	\$ <u>651,803.61</u>			

**CURRENT FUND
SCHEDULE OF COUNTY TAXES**

Balance December 31, 2015			
County Taxes	\$	-	
Added and Omitted Taxes		<u>11,182.14</u>	11,182.14
Increased by:			
County General		4,100,953.59	
County Local Health		188,745.49	
County Open Space		14,704.64	
Added Taxes		<u>2,972.91</u>	
			<u>4,307,376.63</u>
			4,307,376.63
Decreased by:			
Payments to County			<u>4,315,585.86</u>
Balance December 31, 2016			
County Taxes		(0.00)	
Added and Omitted Taxes		<u>2,972.91</u>	
			\$ <u><u>2,972.91</u></u>

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2015	\$	-
Increased by:		
Levy - Calendar Year 2016		<u>9,698,959.00</u>
Decreased by:		
Payments		<u>9,698,959.00</u>
Balance December 31, 2016	\$	<u><u>-</u></u>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX

Balance December 31, 2015	\$	-
Increased by:		
Levy - Calendar Year 2016		<u>6,095,680.00</u>
Decreased by:		
Payments		<u>6,095,680.00</u>
Balance December 31, 2016	\$	<u><u>-</u></u>

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

	Balance 12/31/15	Transferred From 2016 Revenues	Received	Cancelled	Balance 12/31/16
Federal Grants:					
FEMA Hazard Mitigation Grant	\$ 70,000.00				70,000.00
Community Development Block Grant		22,675.00			22,675.00
US DOJ Body Armor		4,728.22	775.00		3,953.22
Total Federal	70,000.00	27,403.22	775.00	-	96,628.22
State Grants:					
Safe and Secure Communities	60,000.00		90,000.00		30,000.00
2015 Municipal Alliance	11,484.94		6,758.08	4,726.86	-
2016 Municipal Alliance		13,771.00	1,384.58		12,386.42
NJDOT Bay Drive (2015)	190,000.00		142,500.00		47,500.00
NJDOT Broad Street III (2014)	47,500.00		47,500.00		-
Clean Communities		22,130.20	22,130.20		-
Alcohol Educatio Rehab		936.69	936.69		-
Click it or Ticket		5,000.00	5,000.00		-
Drive Sober or Get Pulled Over		10,000.00	2,425.00		7,575.00
DDEF		5,933.03	5,933.03		-
Recycling Tonnage		26,435.96	26,435.96		-
State Body Armor		4,287.85	4,287.85		-
Total State	308,984.94	148,494.73	355,291.39	4,726.86	97,461.42
Total Federal and State Grants	\$ 378,984.94	175,897.95	356,066.39	4,726.86	194,089.64
		Current Fund	351,348.54		
		Transferred from Unappropriated Reserves	4,717.85		
		<u>356,066.39</u>			

See Accompanying Auditor's Report

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2015		2016 Budget Appropriation	Disbursed	Encumbrances	Canceled	Balance 12/31/16
	Appropriated	Reserve for Encumbrances					
Federal Grants:							
FEMA Hazard Mitigation	\$ 70,000.00						70,000.00
Community Development Block Grant			22,675.00				22,675.00
US DOJ Federal Body Armor			4,728.22	1,570.00			3,158.22
Total Federal	70,000.00	-	27,403.22	1,570.00	-	-	95,833.22
State Grants:							
Clean Communities	11,621.88		22,130.20	19,953.68	855.00		12,943.40
Safe and Secure			143,715.00	143,715.00			-
Alcohol Education Rehabilitation Fund	9,351.63		936.69	3,900.00			6,388.32
Recycling Tonnage	8,612.51		26,435.96	35,048.47			-
Click it or Ticket			5,000.00	5,000.00			-
NJDOT 2015 - Bay Drive	190,000.00			65,484.90	124,515.10		-
Municipal Alliance 2016-2017	-		17,214.00	6,281.76			10,932.24
Municipal Alliance 2015-2016	11,603.46			6,270.61		5,332.85	-
DDEF	3,676.38		5,933.03	5,469.63			4,139.78
Body Armor	471.19		4,287.85	20.00			4,739.04
NADDI	597.22						597.22
State Farm Grant	2,000.00		10,000.00	2,000.00			-
Drive Sober Get Pulled Over				5,825.00			4,175.00
Total State	237,934.27	-	235,652.73	298,969.05	125,370.10	5,332.85	43,915.00

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

	Balance Dec. 31, 2015	Transferred To 2016 Appropriations	Received	Adjustments	Balance Dec. 31, 2016
State Grants:					
Body Armor Grant	\$ 2,183.88	2,183.88			-
DDEF Grant	2,533.97	2,533.97			-
	<u>4,717.85</u>	<u>4,717.85</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total State	<u>\$ 4,717.85</u>	<u>4,717.85</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2015	\$ 2,125.80	1,351,429.25
Increased by Receipts:		
Animal Control Fees	3,170.60	
State Fees	611.40	
Cultural Committee		3,577.13
Accumulated Sick and Vacation		500.00
Parking Offense Adjudication Act		10.00
Joint Insurance Funds		4,035.01
Public Defender		5,623.00
Small Cities Loan Repayment		7,400.00
Law Enforcement Forfeiture		1,016.36
Escrow Review Fees		107,155.72
Recycling		35,048.47
Fees and Permits - Birch Grove Park		73,283.96
Outside Employment of Police		80,135.10
	<u>3,782.00</u>	<u>317,784.75</u>
	<u>5,907.80</u>	<u>1,669,214.00</u>
Decreased by Disbursements:		
Dog Fund Expenditures	2,670.00	
State Fees	610.20	
Due to Current Fund	-	
Accumulated Sick and Vacation		108,479.61
Cultural Committee		5,149.27
Recycling		11,135.19
Joint Insurance Funds		5,131.01
Public Defender		6,700.00
Law Enforcement Forfeiture		3,535.00
Contractors' Expenditures		141,141.40
Birch Grove Park Expenditures		116,846.15
Outside Employment of Police		82,507.19
	<u>3,280.20</u>	<u>480,624.82</u>
Balance December 31, 2016	\$ <u>2,627.60</u>	<u>1,188,589.18</u>

**TRUST FUND
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2015		\$ 239,943.91
Increased By Receipts:		
Redemption of Liens	435,075.53	
Premiums on Sales	<u>481,800.00</u>	
		<u>916,875.53</u>
		1,156,819.44
Decreased by Disbursements:		
Redemption of Liens	432,205.00	
Premiums on Sales	<u>412,900.00</u>	
		<u>845,105.00</u>
Balance December 31, 2016		\$ <u><u>311,714.44</u></u>

See Accompanying Auditor's Report

TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

Balance December 31, 2015	\$ 718,264.23
Increased by:	
Budget transfer	<u>500.00</u>
Decreased by:	
Retirement payouts	<u>108,479.61</u>
Balance December 31, 2016	\$ <u><u>610,284.62</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2015		\$ 2,125.80
Increased by:		
Animal Control Fees Collected - 2016		3,170.60
		5,296.40
Decreased by:		
Dog License Expenses	2,670.00	
Excess reserve due to Current	-	
	2,670.00	
Balance December 31, 2016		\$ 2,626.40

License Fees Collected:	
Year	Amount
2014	\$ 3,719.60
2015	3,036.80
	\$ 6,756.40

**TRUST FUND
SCHEDULE OF AMOUNT DUE (TO)FROM CURRENT FUND -
ANIMAL CONTROL FUND**

Balance December 31, 2015		\$	-
Increased by:			
Excess reserve paid to Current			-
Decreased by:			
Excess reserve due to Current	-		-
Balance December 31, 2016		\$	-

**SCHEDULE OF AMOUNT DUE TO(FROM) STATE OF NEW JERSEY -
DEPARTMENT OF HEALTH**

Balance December 31, 2015		\$	-
Increased by:			
2016 State License Fees			611.40
611.40			
Decreased by:			
Disbursements to the State			610.20
Balance December 31, 2016		\$	1.20

TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT FORFEITURE

Balance December 31, 2015	\$ 40,020.66
Increased by:	
Cash Receipts	<u>1,016.36</u>
	41,037.02
Decreased by:	
Expenditures	<u>3,535.00</u>
Balance December 31, 2016	\$ <u><u>37,502.02</u></u>

SCHEDULE OF RESERVE FOR SMALL CITIES PROGRAM

Balance December 31, 2015	\$ 181,495.69
Increased by Receipts:	
Loan Repayments	<u>7,400.00</u>
Balance December 31, 2016	\$ <u><u>188,895.69</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW REVIEW FEES**

Balance December 31, 2015	\$ 188,448.60
Increased by:	
Escrow Deposits Received	<u>107,155.72</u>
	295,604.32
Decreased by:	
Disbursements	<u>141,237.77</u>
Balance December 31, 2016	<u><u>\$ 154,366.55</u></u>

SCHEDULE OF RESERVE FOR SNOW REMOVAL FEES

Balance December 31, 2015	\$ 38,316.77
No current year activity	
Balance December 31, 2016	<u><u>\$ 38,316.77</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION EXPENDITURES

Balance December 31, 2015		\$ 124,072.35
Increased by:		
Fees and Permits -		
Birch Grove Park	<u>73,283.96</u>	<u>73,283.96</u>
		197,356.31
Decreased by:		
Birch Grove Park Expenditures	<u>116,846.15</u>	<u>116,846.15</u>
Balance December 31, 2016		\$ <u><u>80,510.16</u></u>

Exhibit B-12

SCHEDULE OF OUTSIDE EMPLOYMENT OF POLICE

Balance December 31, 2015		\$ 3,116.88
Increased by:		
Fees		<u>80,135.10</u>
		83,251.98
Decreased by:		
Payments to Current Fund		<u>82,507.19</u>
Balance December 31, 2016		\$ <u><u>744.79</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL ALLIANCE**

Balance December 31, 2015	\$	-
No current year activity		
Balance December 31, 2016	\$	<u><u>-</u></u>

SCHEDULE OF RESERVE FOR PUBLIC DEFENDER TRUST

Balance December 31, 2015	\$	4,280.00
Increased by:		
Cash Receipts		<u>5,623.00</u>
		9,903.00
Decreased by:		
Cash Disbursements		<u>6,700.00</u>
Balance December 31, 2016	\$	<u><u>3,203.00</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR SMALL CITIES REVOLVING LOAN**

Balance December 31, 2015	\$	44,397.50
Decreased by:		
Loan Repayment		7,400.00
Balance December 31, 2016	\$	36,997.50

**TRUST FUND
SCHEDULE OF RESERVE FOR REDEMPTION OF TAX LIENS**

Balance December 31, 2015	\$ 7,003.83
Increased by:	
Redemption of Third Party Liens	<u>435,075.53</u>
	442,079.36
Decreased by Disbursements:	
Cash Disbursed to Lienholders	<u>432,205.00</u>
Balance December 31, 2016	\$ <u><u>9,874.36</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS**

Balance December 31, 2015	\$ 232,940.08
Increased by:	
Tax Sale Preiums Received	<u>481,800.00</u>
	714,740.08
Decreased by Disbursements:	
Cash Disbursed	<u>412,900.00</u>
Balance December 31, 2016	\$ <u><u>301,840.08</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2015		\$ 1,293,609.15
Increased by Receipts:		
Other	198,035.66	
Bonds	2,922,250.00	
Capital Improvement Fund	100,000.00	
		3,220,285.66
		4,513,894.81
Decreased by Disbursements:		
Improvement Authorizations	1,012,043.46	
Due from Current Fund		
		1,012,043.46
Balance December 31, 2016		\$ <u><u>3,501,851.35</u></u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Receipts		Disbursements		Transfers		Balance 12/31/16
	Balance 12/31/15	Bonds Issued	Miscellaneous	Improvement Authorizations	Miscellaneous	From	
Fund Balance	\$ 108,940.82		193,487.33				302,428.15
Capital Improvement Fund	398.00		100,000.00			81,000.00	19,398.00
Encumbrances Payable	748,712.40					748,712.40	727,898.16
Due from Current Fund							
Improvement Authorizations:							
4-04 amend 9-01 Various Building Improvements	3,533.01			3,533.01			
5-04 Improvements to City Buildings	-						
4-06 Sewer system improvements/repairs							
4-06 Acquisition of vehicles and equip				2,764.00			
12-06 Various sewer repairs							
12-06 Improvements to Recreation Fields							
12-06 Various Road repairs							
4-08 Various Stormwater improvements							
4-08 Various Sewer Repairs							
4-08 Improvements to Recreation Fields							
4-08 Various Road Improvements							
4-08 Various Equipment and Vehicles				644.00			
14-09 Purchase of Dump Truck and Plow							
14-09 Various Road Improvements							
14-09 Lights and Fencing at Rec Field							
1-10 Storm Water Drainage Improvements	25,166.59			84,856.65		53,574.74	113,264.80
1-10 Various Roadway Improvements							
1-10 Equipment, Communications & Signs	1,022.80			1,022.80			
1-10 Improvement to Recreation Area	25,000.00			4,548.99			
1-10 Improvement to City Hall							
18-10 Improvements to Jack Sloan & Joseph							
11-02a Storm Water Drainage	12,635.35			89,208.75		20,516.25	109,725.00
11-02b Road Improvements				14,146.30			14,146.30
11-02c Purchase of Equipment							
11-02d All-Sports Recreation Area Improvements	1,292.75			1,292.75			
11-02e Sanitary Sewer Improvements							
10-12a Road Projects	2,369.48			2,369.48			
10-12b PW Vehicles and Equipment	79,928.00			42,822.00			72,178.00
10-12c Various Sewer Repairs	340.00			5,949.16			340.00
10-12f Veteran Park Improvements Phase II	8,852.00			8,852.00			
10-12g Rec Field Improvements	12,474.00			12,642.45			784.55
12-13d Road Improvements	266,072.44		48.33	282,945.90		66,013.75	1,465.23
12-13e Flashing Lights	5,250.00						5,250.00
12-13f Flashing Lights	99,750.00						99,750.00
12-13i Sewer Repairs & Reconstruction	196,175.66			8,933.34			
12-13j Sewer Repairs & Reconstruction			4,500.00	42,972.83		26.25	
15-15a Public Safe Radios	(271,588.15)			226,623.55		209,277.17	4,931.95
15-15b Public Safe Radios		285,000.00				15,000.00	
15-15c Police Vehicles & Equipment							
15-15d Police Vehicles & Equipment	(94,966.00)	114,000.00		29,836.00			19,034.00
15-15e DPW Vehicles & Equipment	3,500.00						3,500.00
15-15f Bike Path Improvements	1,250.00	66,500.00		1,250.00			66,500.00
15-15g Bike Path Improvements		23,750.00		12,850.00			
15-15i General Sewer Maintenance & Repairs	12,500.00	237,500.00				12,500.00	10,900.00
15-15j General Sewer Maintenance & Repairs						237,500.00	
15-15k Road & Drainage Improvements	45,000.00	865,000.00		45,000.00			710,134.30
15-15l Road & Drainage Improvements				70,829.50		74,036.20	913,500.00
16-08a Road & Drainage Improvements							1,350.00
16-08b Computer Hardware/Software				1,150.00			3,500.00
16-08c Fire Hose and Accessories							2,000.00
16-08d Parking Lot Improvements		475,000.00					500,000.00
16-08e Sewer Maintenance and Repair							
	\$ 1,293,609.15	2,922,250.00	298,035.66	1,012,043.46		1,557,610.56	3,501,851.35

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2015	\$ 5,724,000.00
Increased by:	
Bonds Issued	4,675,000.00
Decreased by:	
Bond Payments	<u>850,000.00</u>
Balance December 31, 2016	<u><u>\$ 9,549,000.00</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ordinance Number	Improvement Description	Analysis of Balance December 31, 2016				Unexpended Improvement Authorization
		Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Balance Dec. 31, 2016	
12-13b	Fire Truck	\$ 380,000.00		380,000.00	-	
15-13d	Road Improvements	902,500.00		902,500.00	-	
12-13f	Flashing Lights	99,750.00		99,750.00	-	
12-13h	License Plate Reader	61,750.00		61,750.00	-	
12-13j	Sewer Repairs & Reconstruction	308,750.00		308,750.00	-	
15-15b	Public Safe Radios	285,000.00		285,000.00	-	
15-15d	Police Vehicles & Equipment	114,000.00		114,000.00	-	
15-15f	DPW Vehicles & Equipment	66,500.00		66,500.00	-	
15-15h	Bike Path Improvements	23,750.00		23,750.00	-	
15-15j	General Sewer Maintenance & Repairs	237,500.00		237,500.00	-	
15-15l	Road & Drainage Improvements	855,000.00		855,000.00	-	
08-16	Road & Drainage Improvements		902,000.00	865,500.00	36,500.00	36,500.00
08-16	Computer Hardware/Software		47,500.00	47,500.00	47,500.00	47,500.00
08-16	Fire Hose and Accessories		66,500.00	66,500.00	66,500.00	66,500.00
08-16	Parking Lot Improvements		38,000.00	38,000.00	38,000.00	38,000.00
08-16	Sewer Maintenance and Repair		475,000.00	475,000.00	-	
		<u>\$ 3,334,500.00</u>	<u>1,529,000.00</u>	<u>4,675,000.00</u>	<u>188,500.00</u>	<u>188,500.00</u>

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2015	\$	398.00
Increased by:		
2016 Budget Appropriation	\$	<u>100,000.00</u>
		<u>100,000.00</u>
		100,398.00
Decreased by:		
Improvement Authorizations		<u>81,000.00</u>
Balance December 31, 2016	\$	<u><u>19,398.00</u></u>

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Ord. #	Improvement Description	Date	Amount	Balance		2016 Authorizations		Paid or Charged	Prior Encumbrances	Cancelled	Balance	
				December 31, 2015		Downpayment or Capital Improvement Fund	Deferred Charges to Future Taxation				December 31, 2016	
				Funded	Unfunded						Funded	Unfunded
General Improvements												
4-05C	Improvements to City Buildings	4/20/2004	114,000	\$ 3,533.01	-	-	-	3,533.01	-	-	-	-
04-06	Acquisition of Vehicles	4/4/2006	172,000	-	-	-	-	2,764.00	-	-	-	-
9-14A	Purchase of Truck and Plow	10/1/2009	85,000	-	-	-	-	644.00	-	-	-	-
1-10	Storm Water Drainage Improvements	1/26/2010	1,225,000	25,166.59	-	-	-	138,431.39	-	-	-	-
1-10	Recreation Improvements	1/26/2010	12,000	1,022.80	-	-	-	1,022.80	-	-	-	-
1-10	Improvements to City Hall	1/26/2010	25,000	25,000.00	-	-	-	4,548.99	-	-	20,451.01	-
11-02a	Storm Water Drainage	4/23/2011	515,000	12,635.35	-	-	-	109,725.00	-	-	12,635.35	-
11-02b	Road Improvements	4/23/2011	495,000	-	-	-	-	14,146.30	-	-	-	-
11-02d	All-Sports Recreation Area Improvements	4/23/2011	25,000	1,292.75	-	-	-	1,292.75	-	-	-	-
10-12a	Road Projects	9/1/2012	600,000	2,369.48	-	-	-	2,369.48	-	-	-	-
10-12b	PW Vehicle and Equipment	9/1/2012	115,000	79,928.00	-	-	-	42,822.00	-	-	72,178.00	-
10-12e	Various Sewer Repairs	9/1/2012	30,000	340.00	-	-	-	5,949.16	-	-	340.00	-
10-12f	Veteran Park Improvements Phase II	9/1/2012	20,000	8,852.00	-	-	-	8,852.00	-	-	-	-
10-12g	Rec Field Improvements	9/1/2012	75,000	12,474.00	-	-	-	12,642.45	-	-	784.55	-
12-13d	Road Improvements	11/17/2013	902,500	266,072.44	-	-	-	348,911.32	-	-	1,465.23	-
12-13e	Flashing Lights	11/17/2013	5,250	5,250.00	-	-	-	84,304.11	-	-	5,250.00	-
12-13f	Flashing Lights	11/17/2013	99,750	99,750.00	-	-	-	8,959.59	-	-	99,750.00	-
12-13i	Sewer Repairs & Reconstruction	11/17/2013	16,250	-	-	-	-	56,506.29	-	-	4,931.95	-
12-13j	Sewer Repairs & Reconstruction	11/17/2013	308,750	196,175.66	-	-	-	247,750.00	-	-	-	-
15-15a	Public Safety Radios	6/23/2015	15,000	-	-	-	-	15,000.00	-	-	-	-
15-15b	Public Safety Radios	6/23/2015	285,000	13,411.85	-	-	-	15,000.00	-	-	3,922.65	-
15-15d	Police Vehicles & Equipment	6/23/2015	114,000	19,034.00	-	-	-	281,077.35	-	-	19,034.00	-
15-15e	DPW Vehicles & Equipment	6/23/2015	3,500	3,500.00	-	-	-	29,836.00	-	-	3,500.00	-
15-15f	DPW Vehicles & Equipment	6/23/2015	66,500	66,500.00	-	-	-	29,836.00	-	-	66,500.00	-
15-15g	Bike Path Improvements	6/23/2015	1,250	1,250.00	-	-	-	1,250.00	-	-	-	-
15-15h	Bike Path Improvements	6/23/2015	23,750	23,750.00	-	-	-	12,850.00	-	-	10,900.00	-
15-15i	General Sewer Maintenance & Repairs	6/23/2015	12,500	12,500.00	-	-	-	12,500.00	-	-	-	-
15-15j	General Sewer Maintenance & Repairs	6/23/2015	237,500	237,500.00	-	-	-	237,500.00	-	-	-	-
15-15k	Road & Drainage Improvements	6/23/2015	45,000	45,000.00	-	-	-	45,000.00	-	-	-	-
15-15l	Road & Drainage Improvements	6/23/2015	855,000	855,000.00	-	-	-	144,865.70	-	-	710,134.30	-
16-08a	Road & Drainage Improvements	6/28/2016	950,000	-	-	48,000.00	902,000.00	-	-	-	913,500.00	36,500.00
16-08b	Computer Hardware/Software	6/28/2016	50,000	3,500.00	-	2,500.00	47,500.00	-	-	-	1,350.00	47,500.00
16-08c	Fire Hose and Accessories	6/28/2016	70,000	70,000.00	-	3,500.00	66,500.00	-	-	-	3,500.00	66,500.00
16-08d	Parking Lot Improvements	6/28/2016	40,000	2,000.00	-	2,000.00	38,000.00	-	-	-	2,000.00	38,000.00
16-08e	Sewer Maintenance and Repair	6/28/2016	500,000	25,000.00	-	25,000.00	475,000.00	-	-	-	500,000.00	-
				\$ 240,113.98	1,777,193.95	81,000.00	1,529,000.00	1,735,393.29	748,712.40	-	2,452,127.04	188,500.00
								727,898.16	Encum			
								1,007,495.13	Cash			
								<u>1,735,393.29</u>				

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Maturity Date	Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
12-2013	Fire Truck	10/28/2015	10/28/2015	10/27/2016	0.79% \$	380,000.00		380,000.00	-
12-2013	Road Improvements	10/28/2015	10/28/2015	10/27/2016	0.79%	902,500.00		902,500.00	-
12-2013	Flashing Lights	10/28/2015	10/28/2015	10/27/2016	0.79%	99,750.00		99,750.00	-
12-2013	License Plate Reader	10/28/2015	10/28/2015	10/27/2016	0.79%	61,750.00		61,750.00	-
12-2013	Sewer Repairs & Reconstruction	10/28/2015	10/28/2015	10/27/2016	0.79%	308,750.00		308,750.00	-
						<u>\$ 1,752,750.00</u>	<u>-</u>	<u>1,752,750.00</u>	<u>-</u>

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Improvement Description	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Issued	Decreased	Balance Dec. 31, 2016
			Date	Amount					
General Improvements	11/15/2006	4,999,000	12/1/2017	600,000	3.75%	\$ 1,599,000.00		500,000.00	1,099,000.00
			12/1/2018	499,000	4.00%				
						<u>1,599,000.00</u>	<u>-</u>	<u>500,000.00</u>	<u>1,099,000.00</u>
General Improvements	10/23/2012	4,650,000	9/1/2017	275,000	2.00%	4,125,000.00		350,000.00	3,775,000.00
			9/1/2018	350,000	2.00%				
			9/1/2019	350,000	2.00%				
			9/1/2020	350,000	2.00%				
			9/1/2021	350,000	2.00%				
			9/1/2022	350,000	2.00%				
			9/1/2023	350,000	2.00%				
			9/1/2024	350,000	3.00%				
			9/1/2025	350,000	3.00%				
			9/1/2026	350,000	3.00%				
9/1/2027	350,000	3.00%							
						<u>4,125,000.00</u>	<u>-</u>	<u>350,000.00</u>	<u>3,775,000.00</u>

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Improvement Description	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2015	Issued	Decreased	Balance Dec. 31, 2016
			Date	Outstanding December 31, 2016 Amount					
General Improvements	10/19/2016	4,675,000	10/15/2017	210,000	2.00%		4,675,000.00		4,675,000.00
			10/15/2018	220,000	3.00%				
			10/15/2019	230,000	4.00%				
			10/15/2020	240,000	4.00%				
			10/15/2021	245,000	4.00%				
			10/15/2022	255,000	5.00%				
			10/15/2023	270,000	5.00%				
			10/15/2024	285,000	5.00%				
			10/15/2025	300,000	5.000%				
			10/15/2026	315,000	5.000%				
			10/15/2027	330,000	2.500%				
			10/15/2028	335,000	2.625%				
			10/15/2029	345,000	2.750%				
		10/15/2030	355,000	3.000%					
		10/15/2031	365,000	3.000%					
		10/15/2032	375,000	3.000%					
						-	4,675,000.00	-	4,675,000.00
						\$ 5,724,000.00	4,675,000.00	850,000.00	9,549,000.00

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF CONTRACTS PAYABLE**

Balance December 31, 2015		\$	748,712.40
Increased by:			
Additional Contracts			727,898.16
Decreased by:			
Cash Disbursed	748,712.40		
Cancelled	<u> -</u>		
			<u>748,712.40</u>
Balance December 31, 2016		\$	<u><u>727,898.16</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Raised in Budget	Balance Dec. 31, 2016
<u>General Improvements</u>						
15-15	Public Safe Radios	\$ 285,000.00		285,000.00		-
15-15	Police Vehicles & Equipment	114,000.00		114,000.00		-
15-15	DPW Vehicles & Equipment	66,500.00		66,500.00		-
15-15	Bike Path Improvements	23,750.00		23,750.00		-
15-15	General Sewer Maintenance & Repairs	237,500.00		237,500.00		-
15-15	Road & Drainage Improvements	855,000.00		855,000.00		-
08-16	Road & Drainage Improvements		902,000.00	865,500.00		36,500.00
08-16	Computer Hardware/Software		47,500.00			47,500.00
08-16	Fire Hose and Accessories		66,500.00			66,500.00
08-16	Parking Lot Improvements		38,000.00			38,000.00
08-16	Sewer Maintenance and Repair		475,000.00	475,000.00		-
		<u>\$ 1,581,750.00</u>	<u>1,529,000.00</u>	<u>2,922,250.00</u>	<u>-</u>	<u>188,500.00</u>

See Accompanying Auditor's Report

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CITY OF NORTHFIELD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

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GENERAL COMMENTS

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

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law." Due to the City having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

The governing body of the City of Northfield has the responsibility of determining whether the expenditures in any category will exceed \$40,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine if any clear-cut violations existed.

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

- Paving of roads
- Sewer pump station upgrades
- Portable generator

Our examination of expenditures did not reveal any payments in excess of \$40,000 "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. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

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

"BE IT RESOLVED by the Council of the City of Northfield, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 435 P.L., 1978, the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date that they would become delinquent is hereby fixed at eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent and eighteen percent (18%) per annum on any amount in excess of \$1,500.00, provided, however, that no interest shall be charged if payment is made within ten (10) days of the date upon which the tax or assessment becomes payable.

"IT IS FURTHER RESOLVED that nothing contained within this Resolution shall be construed to extend the time when taxes are due and payable nor the obligations to pay interest which shall commence on the due date if taxes are not paid within the ten (10) day grace period.

"BE IT RESOLVED by the the Council of the City of Northfield, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 75 P.L., 1991, the governing body of the City of Northfield hereby establishes a penalty in the amount of six percent (6%) to be charged to a taxpayer with a delinquency in excess of Ten Thousand Dollars (\$10,000) who fails to pay that delinquency prior to the end of the calendar year.

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

The tax sale was held on June 14, 2016 and was complete. 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 31st of the last three years:

<u>Year</u>	<u>Number</u>
2016	11
2015	14
2013	11

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 taxpaying basis.

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2017 and 2016 Taxes	5
Payments of 2017 and 2016 Sewer	5
Delinquent Taxes	5
Municipal Court	5

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2016	\$ 28,672,794	27,865,386	97.18%
2015	28,713,312	27,730,952	96.58%
2014	27,486,709	26,717,465	97.20%
2013	27,197,325	26,303,739	96.71%
2012	26,250,522	25,447,375	96.94%

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	3.108	3.065	2.898	2.814	2.676
Apportionment of Tax Rate					
Municipal	0.893	0.854	0.826	0.802	0.792
Library	0.033	0.035	0.032	0.032	0.034
County	0.468	0.480	0.408	0.418	0.349
Local School	1.053	1.069	1.047	1.006	0.980
Regional High School	0.661	0.627	0.585	0.556	0.521
Assessed Valuation	921,913,460	934,737,421	946,347,687	965,961,379	977,094,553

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	\$ 31,414	495,088	526,502	1.84%
2015	25,124	615,608	640,732	2.23%
2014	21,351	437,637	458,988	1.67%
2013	21,771	468,973	490,744	1.80%
2012	18,226	532,134	550,360	2.10%

FINDINGS AND RECOMMENDATIONS

None

STATUS OF PRIOR RECOMMENDATIONS

None

FINDINGS

None

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

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

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

May 9, 2017