

*BOROUGH OF  
PEAPACK AND GLADSTONE*

*COUNTY OF SOMERSET*

*REPORT OF AUDIT*

*2016*

*NISIVOCCIA LLP  
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF PEAPACK AND GLADSTONE

COUNTY OF SOMERSET

REPORT OF AUDIT

2016

BOROUGH OF PEAPACK AND GLADSTONE  
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PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016



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 Mt. Arlington, NJ 07856  
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## Independent Auditors' Report

The Honorable Mayor and Members  
 of the Borough Council  
 Borough of Peapack and Gladstone  
 Peapack, New Jersey

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Mayor and Members  
of the Borough Council  
Borough of Peapack and Gladstone  
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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Borough as of December 31, 2016, or the changes in financial position or where applicable, cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

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

***Other Matters***

The financial statements of the Borough as of December 31, 2015 were audited by other auditors whose report dated March 11, 2016 expressed an unmodified opinion on those statements.

***Supplementary Information***

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

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

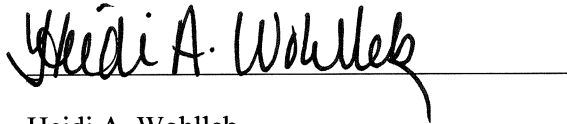
The Honorable Mayor and Members  
of the Borough Council  
Borough of Peapack and Gladstone  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017 on our consideration of the Borough of Peapack and Gladstone's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Peapack and Gladstone's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
June 15, 2017

NISIVOCCIA LLP

A handwritten signature in black ink, reading "Heidi A. Wohlleb", is written over a horizontal line.

Heidi A. Wohlleb  
Certified Public Accountant  
Registered Municipal Accountant No. 481

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
CURRENT FUND

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2016	2015
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 4,283,386.94	\$ 4,067,530.92
Change Fund		150.00	150.00
		<u>4,283,536.94</u>	<u>4,067,680.92</u>
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		2,706.22	3,456.22
		<u>4,286,243.16</u>	<u>4,071,137.14</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	157,213.22	207,201.77
Property Acquired for Taxes at Assessed Valuation		139,900.00	139,900.00
Revenue Accounts Receivable	A-9	7,402.86	7,554.41
Due from Other Trust Funds			25,475.79
Due from Animal Control Fund	B	2,373.88	0.22
Due from General Capital Fund	C	2.62	3.96
Due from Net and Agency Payroll Accounts		10,000.99	10,000.93
Total Receivables and Other Assets With Full Reserves		<u>316,893.57</u>	<u>390,137.08</u>
Deferred Charges:			
Special Emergency Appropriation			68,000.00
Total Regular Fund		<u>4,603,136.73</u>	<u>4,529,274.22</u>
Federal and State Grant Fund:			
Grants Receivable	A-13	42,325.00	39,750.00
Due from Current Fund	A	104,447.40	94,592.90
Total Federal and State Grant Fund		<u>146,772.40</u>	<u>134,342.90</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,749,909.13</u>	<u>\$ 4,663,617.12</u>

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
(Continued)

	Ref.	December 31,	
		2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 317,158.42	\$ 238,696.70
Unencumbered	A-3;A-11	432,071.95	435,531.14
		<u>749,230.37</u>	<u>674,227.84</u>
Prepaid Taxes		134,507.91	119,999.20
Tax Overpayments		13,202.85	7,667.61
Regional School Taxes Payable	A-12	1,263.14	1,263.14
Due to State of New Jersey:			
Marriage License Fees		25.00	50.00
Due to Other Trust Funds	B	471,758.37	622,580.03
Due to Federal and State Grant Fund	A	104,447.40	94,592.90
Reserve for:			
Master Plan		5,552.16	58,807.03
Police Donations		3,525.00	9,425.00
		<u>1,483,512.20</u>	<u>1,588,612.75</u>
Reserve for Receivables and Other Assets	A	316,893.57	390,137.08
Fund Balance	A-1	2,802,730.96	2,550,524.39
		<u>4,603,136.73</u>	<u>4,529,274.22</u>
Total Regular Fund			
Federal and State Grant Fund:			
Unappropriated Reserves	A-14	13,557.31	13,001.13
Appropriated Reserves	A-15	133,215.09	120,270.82
Reserves for Encumbrances			1,070.95
		<u>146,772.40</u>	<u>134,342.90</u>
Total Federal and State Grant Fund		<u>146,772.40</u>	<u>134,342.90</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 4,749,909.13</u>	<u>\$ 4,663,617.12</u>

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

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
REGULATORY BASIS

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2016</u>	<u>2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,950,000.00	\$ 2,100,000.00
Miscellaneous Revenue Anticipated		560,630.74	492,594.41
Receipts from:			
Delinquent Taxes		308,504.17	130,305.11
Current Taxes		13,664,386.94	13,113,988.14
Nonbudget Revenue		321,936.50	707,528.15
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		302,040.18	243,174.85
Interfunds Returned		35,480.90	
Cancellation of:			
Reserve for Master Plan		51,000.00	
Total Income		<u>17,193,979.43</u>	<u>16,787,590.66</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		5,138,301.77	5,081,120.02
County Taxes		2,935,378.47	2,828,742.17
Open Space Taxes		217,758.13	212,172.40
Regional School District Taxes		6,636,957.00	6,458,521.00
Cancellation of Deferred Charge- Special Emergency Appropriation		51,000.00	
Interfunds Advanced		12,377.49	5,755.00
Total Expenditures		<u>14,991,772.86</u>	<u>14,586,310.59</u>
Statutory Excess to Fund Balance		2,202,206.57	2,201,280.07
<u>Fund Balance</u>			
Balance January 1		<u>2,550,524.39</u>	<u>2,449,244.32</u>
		4,752,730.96	4,650,524.39
Decreased by:			
Utilized as Anticipated Revenue		<u>1,950,000.00</u>	<u>2,100,000.00</u>
Balance December 31	A	<u>\$ 2,802,730.96</u>	<u>\$ 2,550,524.39</u>

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



BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Added by N.J.S.A 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,950,000.00		\$ 1,950,000.00	
Miscellaneous Revenue:				
Alcoholic Beverage Licenses	12,563.00		13,313.00	\$ 750.00
Municipal Court - Fines and Costs	70,000.00		84,348.61	14,348.61
Energy Receipts Taxes	251,059.00		251,059.00	
Uniform Construction Code Fees	70,000.00		177,554.00	107,554.00
Recycling Tonnage Grant	4,211.48		4,211.48	
Reserve for Clean Communities Program	7,464.56		7,464.56	
Alcohol Education and Rehabilitation Fund	235.73		235.73	
Garden Club Somerset Hills		\$ 1,000.00	1,000.00	
Body Armor Replacement Fund	1,089.36		1,089.36	
Somerset County DWI Grant	400.00	10,530.00	10,930.00	
Donations - Police Equipment	9,425.00		9,425.00	
	<u>426,448.13</u>	<u>11,530.00</u>	<u>560,630.74</u>	<u>122,652.61</u>
Receipts from Delinquent Taxes	100,000.00		308,504.17	208,504.17
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	4,002,079.78		5,224,801.32	1,222,721.54
Budget Totals	6,478,527.91	11,530.00	8,043,936.23	1,553,878.32
Nonbudget Revenue			321,936.50	321,936.50
	<u>\$ 6,478,527.91</u>	<u>\$ 11,530.00</u>	<u>\$ 8,365,872.73</u>	<u>\$ 1,875,814.82</u>

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Allocation of Current Tax Collections:		
Revenue from Collection of Current Taxes		\$ 13,664,386.94
Allocated to:		
Regional School District	\$ 6,636,957.00	
County of Somerset	2,935,378.47	
Municipal Open Space Taxes	<u>217,758.13</u>	
		<u>9,790,093.60</u>
Balance for Support of Municipal Budget		3,874,293.34
Add: Appropriation "Reserve for Uncollected Taxes"		<u>1,350,507.98</u>
Realized for Support of Municipal Budget		<u><u>\$ 5,224,801.32</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections		<u>\$ 308,504.17</u>
Total Receipts from Delinquent Taxes		<u><u>\$ 308,504.17</u></u>
Analysis of Uniform Construction Code Fees		
Collected by the Treasurer		\$ 161,849.20
Due from Other Trust Funds		<u>15,704.80</u>
		<u><u>\$ 177,554.00</u></u>
Analysis of Nonbudget Revenue:		
Treasurer:		
Interest on Investments		
Collected by the Treasurer	\$ 10,060.85	
Due from General Capital Fund	2.62	
Due from Payroll Agency Account	0.46	
Due from Payroll Net Account	0.53	
Due from Animal Control Trust Fund	0.28	
Due from Other Trust Funds	<u>15.19</u>	
Total Interest on Investements		\$ 10,079.93

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Analysis of Nonbudget Revenue: (Cont'd)

Treasurer:

Interest on Investments		
Collected by the Treasurer	\$	10,060.85
Administrative Fee - Veterans and Senior Citizens Deductions		285.85
Auction Proceeds		9,553.50
In Lieu of Taxes		8,712.75
DMV Inspection Fee		3,050.00
Uniform Fire Safety Fees		4,720.00
Fire LEA Rebates		7,039.50
Shared Court - Bedminster		11,454.10
Litigation Insurance Reimbursement		49,936.37
Other Miscellaneous		5,154.68
FEMA Reimbursements - Jonas Storm		21,576.44
Property Rental		40,409.61
Fees and Permits:		
Clerk		48,062.30
Planning Board		100.00
Police Outside Service Administrative Fee		23,585.33
Board of Health		8,140.00
Police		665.25
Zoning Board		2,085.00
Tax Assessor		210.00
Department of Public Works		590.00
Tax		260.56
		\$ 255,652.09

Tax Collector:

Interest and Costs on Taxes	63,039.56
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Due from Other Trust Funds:

Police Outside Service Administrative Fees	852.17
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Statutory Excess in Animal Control Trust Fund	2,373.60
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\$ 321,936.50

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 43,678.00	\$ 50,843.83	\$ 50,323.83	\$ 520.00	
Other Expenses	58,975.00	43,775.00	3,288.90	40,486.10	
Mayor and Council:					
Salaries & Wages	15,500.00	15,500.00	15,500.00		
Other Expenses	40,100.00	40,100.00	28,312.47	11,787.53	
Municipal Clerk:					
Salaries & Wages	133,253.00	126,087.17	115,893.02	10,194.15	
Other Expenses	24,850.00	24,850.00	22,412.16	2,437.84	
Financial Administration:					
Salaries & Wages	96,345.00	94,400.01	94,399.78	0.23	
Other Expenses	13,230.00	13,230.00	10,090.47	3,139.53	
Annual Audit	28,000.00	28,000.00	28,000.00		
Computer Information Technology					
Salaries & Wages	3,000.00	2,415.15	2,415.15		
Other Expenses	27,500.00	27,500.00	25,224.67	2,275.33	
Revenue Administration (Tax Collection):					
Salaries & Wages	70,765.00	74,494.84	73,294.74	1,200.10	
Other Expenses	5,950.00	5,950.00	4,900.90	1,049.10	
Tax Assessment Administration:					
Salaries & Wages	37,381.00	37,381.00	35,352.47	2,028.53	
Other Expenses	11,125.00	11,125.00	10,661.24	463.76	
Legal Services and Costs:					
Other Expenses - Fees	115,000.00	130,000.00	100,301.45	29,698.55	
Engineering Services and Costs:					
Other Expenses	35,000.00	35,000.00	32,979.51	2,020.49	

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT (continued):					
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Land Use Board:					
Salaries & Wages	\$ 8,328.00	\$ 8,328.00	\$ 8,116.84	\$ 211.16	
Other Expenses	31,800.00	31,800.00	14,370.12	17,429.88	
Zoning Cost:					
Salaries & Wages	7,000.00	7,000.00	7,000.00		
Other Expenses	300.00	300.00	53.93	246.07	
Insurance (P.L. 2003, C.92):					
Group Insurance Plans for Employees	623,500.00	623,500.00	594,708.77	28,791.23	
General Liability Insurance	122,000.00	122,000.00	119,162.68	2,837.32	
Workers' Compensation Insurance	30,839.00	30,839.00	30,839.00		
Health Benefit Waiver	6,500.00	6,500.00	4,707.48	1,792.52	
Unemployment Insurance Fund	2,000.00	2,000.00	2,000.00		
Cultural Heritage					
Other Expenses	1,750.00	1,750.00	1,611.00	139.00	
PUBLIC SAFETY:					
Police:					
Salaries & Wages	856,619.00	856,619.00	849,786.70	6,832.30	
Other Expenses	74,015.00	74,015.00	63,362.93	10,652.07	
Emergency Management Services:					
Salaries & Wages	1,600.00	1,600.00	1,600.00		
Other Expenses	8,750.00	8,750.00	3,169.83	5,580.17	
Aid to Volunteer Ambulance Company:					
Other Expenses	60,000.00	60,000.00	60,000.00		

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PUBLIC SAFETY:					
Municipal Court:					
Salaries & Wages	\$ 57,076.00	\$ 57,076.00	\$ 57,076.00		
Other Expenses	4,000.00	4,000.00		\$ 4,000.00	
Fire:					
Salaries & Wages	6,600.00	6,600.00	6,600.00		
Other Expenses	90,300.00	90,300.00	90,235.09	64.91	
Fire Safety Official:					
Salaries & Wages	14,644.00	14,644.00	13,694.06	949.94	
Other Expenses	3,105.00	3,055.00	1,920.00	1,135.00	
Fire Hydrant Services	88,000.00	88,050.00	88,043.76	6.24	
PUBLIC WORKS:					
Streets and Road Repairs and Maintenance:					
Salaries & Wages	209,711.00	208,511.00	177,396.39	31,114.61	
Other Expenses	122,900.00	107,900.00	92,383.75	15,516.25	
Shade Tree Commission:					
Other Expenses	3,100.00	3,100.00	3,070.41	29.59	
Garbage and Trash Removal:					
Salaries & Wages	1,802.00	1,802.00	1,801.20	0.80	
Other Expenses	89,200.00	89,200.00	81,018.33	8,181.67	
Public Building and Grounds:					
Salaries & Wages	209,617.00	209,617.00	183,480.64	26,136.36	
Other Expenses	134,000.00	149,000.00	133,362.11	15,637.89	
Vehicle Maintenance:					
Other Expenses	40,000.00	40,000.00	19,799.20	20,200.80	

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>HEALTH AND HUMAN SERVICES:</b>					
Board of Health:					
Salaries & Wages	\$ 2,281.00	\$ 2,281.00	\$ 1,595.95	\$ 685.05	
Other Expenses	27,521.00	27,721.00	27,642.36	78.64	
Environmental Commission:					
Other Expenses	8,125.00	8,125.00	8,125.00		
Animal Control:					
Other Expenses	6,215.00	6,215.00	6,214.20	0.80	
<b>PARK AND RECREATION:</b>					
Recreation Services and Programs:					
Salaries & Wages	34,229.00	34,229.00	34,229.00		
Other Expenses	5,000.00	5,000.00	5,000.00		
Senior Citizen Center Transportation:					
Other Expenses	11,000.00	11,000.00	9,145.00	1,855.00	
<b>OTHER COMMON OPERATING FUNCTIONS:</b>					
Accumulated Leave Compensation:					
Salaries & Wages	10,000.00	10,000.00	10,000.00		
<b>UNIFORM CONSTRUCTION CODE:</b>					
State Uniform Construction Code:					
Construction Official:					
Salaries & Wages	74,756.00	74,756.00	72,791.64	1,964.36	
Other Expenses	5,845.00	5,845.00	5,732.46	112.54	
<b>UNCLASSIFIED</b>					
Electricity	40,000.00	40,000.00	27,377.98	12,622.02	
Street Lighting	30,000.00	30,000.00	19,669.63	10,330.37	
Telephone	32,000.00	32,000.00	21,196.14	10,803.86	

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
UNCLASSIFIED (Cont'd)					
Water	\$ 5,200.00	\$ 5,200.00	\$ 4,154.70	\$ 1,045.30	
Gasoline	55,000.00	55,000.00	22,597.86	32,402.14	
Natural Gas	35,000.00	35,000.00	15,063.74	19,936.26	
Landfill/Solid Waste Disposal Costs	76,125.00	76,125.00	63,619.96	12,505.04	
Total Operations Within "CAPS"	4,127,005.00	4,127,005.00	3,717,876.60	409,128.40	
Contingent	2,000.00	2,000.00		2,000.00	
Total Operations including Contingent within "CAPS"	4,129,005.00	4,129,005.00	3,717,876.60	411,128.40	
Detail:					
Salaries & Wages	1,894,185.00	1,894,185.00	1,812,347.41	81,837.59	
Other Expenses	2,234,820.00	2,234,820.00	1,905,529.19	329,290.81	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS": Statutory Expenditures: Contribution to:					
Public Employees' Retirement System	85,936.00	85,936.00	85,936.00		
Police and Firemen's Retirement System of New Jersey	191,234.00	191,234.00	191,234.00		
Social Security System (O.A.S.I.)	159,000.00	159,000.00	141,564.74	17,435.26	



BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS": Statutory Expenditures: Contribution to: Defined Contribution Retirement Fund	\$ 3,000.00	\$ 3,000.00	\$ 1,189.29	\$ 1,810.71	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	439,170.00	439,170.00	419,924.03	19,245.97	
Total General Appropriations for Municipal Purposes Within "CAPS"	4,568,175.00	4,568,175.00	4,137,800.63	430,374.37	
Operations Excluded from "CAPS"					
Aid to Library (N.J.S.A. 40:54-35)	1,475.00	1,475.00	626.84	848.16	
Recycling Tax	4,500.00	4,500.00	3,650.58	849.42	
Length of Service Awards Program (N.J.S.A. 40A:4-453)					
Fire Department	36,000.00	36,000.00	36,000.00		
First Aid Squad	17,000.00	17,000.00	17,000.00		
State and Federal Programs Offset by Revenues:					
Donation - Police Equipment	9,425.00	9,425.00	9,425.00		
Garden Club Somerset Hills (N.J.S.A. 40A:4-87 + \$1,000.00)		1,000.00	1,000.00		
Alcohol Education and Rehabilitation	235.73	235.73	235.73		
Clean Communities	7,464.56	7,464.56	7,464.56		
Recycling Tonnage Grant	4,211.48	4,211.48	4,211.48		
Body Armor Replacement Fund	1,089.36	1,089.36	1,089.36		
Somerset County DWI Grant (N.J.S.A. 40A:4-87 + \$10,530.00)	400.00	10,930.00	10,930.00		

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
State and Federal Programs Offset by Revenues: (Cont'd)					
Matching Funds for Grants: Municipal Alliance	\$ 726.80	\$ 726.80	\$ 726.80		
Total Operations Excluded from "CAPS"	<u>82,527.93</u>	<u>94,057.93</u>	<u>92,360.35</u>	<u>\$ 1,697.58</u>	
Detail:					
Other Expenses	<u>82,527.93</u>	<u>94,057.93</u>	<u>92,360.35</u>	<u>1,697.58</u>	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>		
Total Capital Improvements - Excluded from "CAPS"	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	240,147.00	240,147.00	240,147.00		
Payment of Bond Anticipation Notes and Capital Notes	19,400.00	19,400.00	19,400.00		
Interest on Notes	1,100.00	1,100.00	1,018.50		\$ 81.50
Interest on Bonds	<u>99,670.00</u>	<u>99,670.00</u>	<u>98,503.34</u>		<u>1,166.66</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>360,317.00</u>	<u>360,317.00</u>	<u>359,068.84</u>		<u>1,248.16</u>

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges - Municipal - Excluded from "CAPS":					
Special Emergency Authorizations- 5 Years (N.J.S.A.40A:4-55)	\$ 17,000.00	\$ 17,000.00	\$ 17,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	17,000.00	17,000.00	17,000.00		
Total General Appropriations - Excluded from "CAPS"	559,844.93	571,374.93	568,429.19	\$ 1,697.58	\$ 1,248.16
Subtotal General Appropriations	5,128,019.93	5,139,549.93	4,706,229.82	432,071.95	1,248.16
Reserve for Uncollected Taxes	1,350,507.98	1,350,507.98	1,350,507.98		
Total General Appropriations	<u>\$ 6,478,527.91</u>	<u>\$ 6,490,057.91</u>	<u>\$ 6,056,737.80</u>	<u>\$ 432,071.95</u>	<u>\$ 1,248.16</u>

Ref.

A

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

		Analysis of	
	Ref.	Budget After Modification	Paid or Charged
Adopted Budget		\$ 6,478,527.91	
Added by N.J.S.A. 40A:4-87		11,530.00	
		\$ 6,490,057.91	
Reserve for Uncollected Taxes			\$ 1,350,507.98
Reserve for Encumbrances	A		317,158.42
Transfer to Appropriated Grant Reserves:			
Federal and State Grants			34,356.13
Local Match			726.80
Deferred Charges - Special Emergency Authorizations			17,000.00
Cash Disbursed			4,429,745.38
			6,149,494.71
Less: Appropriation Refunds			92,756.91
			\$ 6,056,737.80

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

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
TRUST FUNDS

BOROUGH OF PEAPACK AND GLADSTONE  
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31,	
		2016	2015
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 10,538.88	\$ 7,755.62
Due from State of New Jersey		94.60	107.20
		<u>10,633.48</u>	<u>7,862.82</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,509,928.59	2,038,798.22
Due from Current Fund	A	471,758.37	622,580.03
		<u>2,981,686.96</u>	<u>2,661,378.25</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,992,320.44</u>	<u>\$ 2,669,241.07</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to State of New Jersey			\$ 16.80
Due to Current Fund	A	\$ 2,373.88	0.22
Reserve for Animal Control Expenditures	B-6	8,259.60	7,845.80
		<u>10,633.48</u>	<u>7,862.82</u>
Other Trust Funds:			
Due to Current Fund	A		25,475.79
Due to State of New Jersey - DCA Fees		4,968.00	2,347.00
Reserve for Open Space		1,413,904.24	1,388,469.32
Reserve for Housing Trust		250,860.22	149,444.60
Reserve for Unemployment Compensation Insurance		10,472.34	20,084.70
Reserve for Council on Affordable Housing		449,619.28	449,394.55
Reserve for Developers Escrow		263,230.08	256,021.28
Reserve for Recreation Commission		114,608.13	110,534.49
Reserve for Forfeited Assets		324.42	773.20
Reserve for Fire Prevention		1,343.05	1,343.05
Reserve for Flexible Spending		1,217.26	2,320.92
Reserve for Escrow Deposits		15,398.62	15,250.40
Reserve for Parking Offense Adjudication Act		336.00	318.00
Reserve for Accumulated Leave		244,250.50	204,423.63
Reserve for Recycling		997.85	922.85
Reserve for Tax Sale Premium		149,300.00	3,500.00
Reserve for Police Outside Services		23,190.75	17,633.25
Reserve for Historic Preservation Commission		580.00	435.00
Reserve for Storm Recovery		37,086.22	12,686.22
		<u>2,981,686.96</u>	<u>2,661,378.25</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 2,992,320.44</u>	<u>\$ 2,669,241.07</u>

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

BOROUGH OF PEAPACK AND GLADSTONE  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

BOROUGH OF PEAPACK AND GLADSTONE  
ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

NOT APPLICABLE

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



BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
GENERAL CAPITAL FUND

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2016	2015
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 463,155.90	\$ 418,092.52
Due from State of New Jersey:			
Department of Transportation Grant		428,000.00	117,500.00
Deferred Charges to Future Taxation:			
Funded		4,662,951.43	5,021,238.97
Unfunded	C-4	358,600.00	264,000.00
<u>TOTAL ASSETS</u>		<u>\$ 5,912,707.33</u>	<u>\$ 5,820,831.49</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 4,544,000.00	\$ 4,874,000.00
NJDEP Open Space Acquisition Loan	C-9	118,951.43	147,238.97
Bond Anticipation Notes Payable	C-7	77,600.00	97,000.00
Improvement Authorizations:			
Funded	C-5	707,618.18	366,184.20
Unfunded	C-5	282,043.62	168,043.62
Due to Current Fund	A	2.62	3.96
Capital Improvement Fund	C-6	170,969.57	108,969.57
Reserve for Encumbrances			47,869.26
Fund Balance	C-1	11,521.91	11,521.91
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 5,912,707.33</u>	<u>\$ 5,820,831.49</u>

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

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 11,521.91
Balance December 31, 2016	C	<u>\$ 11,521.91</u>

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

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
SEWER UTILITY FUND

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2016	2015
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 1,399,712.79	\$ 1,180,736.28
Due from Sewer Utility Capital Fund	E	4.41	3.94
		<u>1,399,717.20</u>	<u>1,180,740.22</u>
Receivable with Full Reserve:			
Consumer Accounts Receivable	E-6	64,319.28	64,586.03
		<u>64,319.28</u>	<u>64,586.03</u>
Total Operating Fund		<u>1,464,036.48</u>	<u>1,245,326.25</u>
Capital Fund:			
Cash and Cash Equivalents	E-4	414,404.23	214,403.76
Fixed Capital	E-7	8,317,748.85	8,308,683.17
Fixed Capital Authorized and Uncompleted	E-8	89,600.00	89,600.00
		<u>89,600.00</u>	<u>89,600.00</u>
Total Capital Fund		<u>8,821,753.08</u>	<u>8,612,686.93</u>
<u>TOTAL ASSETS</u>		<u><u>\$ 10,285,789.56</u></u>	<u><u>\$ 9,858,013.18</u></u>

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	E-3;E-9	\$ 63,388.39	\$ 54,003.85
Unencumbered	E-3;E-9	298,759.45	322,865.61
		<u>362,147.84</u>	<u>376,869.46</u>
Sewer Rent Overpayments		1,117.41	404.32
		<u>363,265.25</u>	<u>377,273.78</u>
Reserve for Receivables	E	64,319.28	64,586.03
Fund Balance	E-1	1,036,451.95	803,466.44
		<u>1,464,036.48</u>	<u>1,245,326.25</u>
Capital Fund:			
Improvement Authorizations:			
Funded	E-10	4,799.67	4,799.67
Due to Sewer Utility Operating Fund	E	4.41	3.94
Capital Improvement Fund	E-11	351,486.27	151,486.27
Deferred Reserve for Amortization	E-12	89,600.00	89,600.00
Reserve for Amortization	E-13	8,317,748.85	8,308,683.17
Reserve for Contribution in Aid of Construction		29,359.57	29,359.57
Reserve for Sewer Pump		9,000.00	9,000.00
Fund Balance	E-1A	19,754.31	19,754.31
		<u>8,821,753.08</u>	<u>8,612,686.93</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 10,285,789.56</u>	<u>\$ 9,858,013.18</u>

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

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

	Ref.	Year Ended December 31,	
		2016	2015
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated		\$ 200,000.00	\$ 120,000.00
Rents		1,274,841.59	1,241,186.94
Miscellaneous Revenue Not Anticipated		26,943.03	21,013.77
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		280,522.89	325,365.61
Total Income		<u>1,782,307.51</u>	<u>1,707,566.32</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,062,322.00	1,123,398.00
Capital Improvements		230,000.00	150,000.00
Deferred Charges and Statutory Expenditures		57,000.00	53,871.00
Total Expenditures		<u>1,349,322.00</u>	<u>1,327,269.00</u>
Excess in Revenue		432,985.51	380,297.32
<u>Fund Balance</u>			
Balance January 1	E	803,466.44	543,169.12
		<u>1,236,451.95</u>	<u>923,466.44</u>
Decreased by:			
Utilized as Anticipated Revenue - Current Fund		200,000.00	120,000.00
Balance December 31	E	<u>\$ 1,036,451.95</u>	<u>\$ 803,466.44</u>

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



BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
STATEMENT OF SEWER CAPITAL FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>		
Balance December 31, 2015	E	\$	19,754.31
Balance December 31, 2016	E	\$	<u>19,754.31</u>

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

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY OPERATING FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated	Realized	Excess or Deficit *
Surplus Anticipated	\$ 200,000.00	\$ 200,000.00	
Rents	1,149,322.00	1,274,841.59	\$ 125,519.59
	1,349,322.00	1,474,841.59	125,519.59
Miscellaneous Revenue Not Anticipated		26,943.03	26,943.03
	\$ 1,349,322.00	\$ 1,501,784.62	\$ 152,462.62
Analysis of Sewer Rents Revenue:			
Collected in Sewer Utility Operating Fund		\$ 1,274,437.27	
Overpayments Applied		404.32	
		\$ 1,274,841.59	
Analysis of Miscellaneous Revenue Not Anticipated:			
Treasurer:			
Interest on Deposits	\$ 3,075.04		
Connection Fees	18,600.00		
Other Sewer Fees	396.48		
Interest on Penalties and Rents	4,867.10		
		\$ 26,938.62	
Interest on Investments -			
Due from Sewer Utility Capital Fund		4.41	
		\$ 26,943.03	

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

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended	
	Budget	Budget After Modification	Paid or Charged	Reserved
	Budget	Modification	Charged	Reserved
Operating:				
Salaries and Wages	\$ 170,922.00	\$ 170,922.00	\$ 144,768.40	\$ 26,153.60
Other Expenses	891,400.00	891,400.00	651,324.46	240,075.54
Capital Improvements:				
Capital Improvement Fund	200,000.00	200,000.00	200,000.00	
Capital Outlay	30,000.00	30,000.00		30,000.00
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	43,000.00	43,000.00	43,000.00	
Social Security System (O.A.S.I.)	14,000.00	14,000.00	11,469.69	2,530.31
	<u>\$ 1,349,322.00</u>	<u>\$ 1,349,322.00</u>	<u>\$ 1,050,562.55</u>	<u>\$ 298,759.45</u>

	<u>Ref.</u>		
<u>Analysis of Paid or Charged</u>			E
Cash Disbursed		\$ 987,174.16	
Encumbered	E	63,388.39	
		<u>\$ 1,050,562.55</u>	

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

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
PUBLIC ASSISTANCE FUND

BOROUGH OF PEAPACK AND GLADSTONE  
PUBLIC ASSISTANCE FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
<u>ASSETS</u>	<u>Ref.</u>	2016	2015
Cash and Cash Equivalents	F-1	\$ 3,442.63	\$ 3,441.59
<u>TOTAL ASSETS</u>		<u>\$ 3,442.63</u>	<u>\$ 3,441.59</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Public Assistance		\$ 3,442.63	\$ 3,441.59
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,442.63</u>	<u>\$ 3,441.59</u>

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

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
BOND AND INTEREST FUND

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2016	Restated 2015
<u>ASSETS</u>		
Land	\$ 5,437,362.00	\$ 5,437,362.00
Land Improvements	192,873.00	192,873.00
Buildings	1,347,855.00	1,347,855.00
Machinery and Equipment	4,028,680.00	4,322,460.00
<u>TOTAL ASSETS</u>	<u>\$ 11,006,770.00</u>	<u>\$ 11,300,550.00</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Investment in General Fixed Assets	\$ 11,006,770.00	\$ 11,300,550.00
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 11,006,770.00</u>	<u>\$ 11,300,550.00</u>

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



BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Peapack and Gladstone conform to the accounting principles applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Peapack and Gladstone 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.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

B. Description of Funds (Cont'd)

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

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

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes. The operations of the State funded welfare program were transferred to the County in a prior year.

General Fixed Assets Account Group - These accounts were established with estimated values of land, building and certain fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

C. Basis of Accounting

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

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

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

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

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

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

C. Basis of Accounting (Cont'd)

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when received; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

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

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans or by capital leases.

E. Other significant accounting policies include:

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

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

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

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

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

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

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

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
 (Continued)

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

E. Other significant accounting policies include (Cont'd):

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 are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

General Fixed Assets Account Group - General fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

The total value recorded for general fixed assets is offset by a "Investment in General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly.

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

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

F. Budget/Budgetary Controls

Annual appropriated budgets are prepared in the 1<sup>st</sup> quarter for the Current, Open Space Trust, and Sewer Utility Operating Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 2: Long-Term Debt

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

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	<u>\$ 4,740,551.43</u>	<u>\$ 5,118,238.97</u>	<u>\$ 5,169,969.15</u>
Net Debt Issued	<u>4,740,551.43</u>	<u>5,118,238.97</u>	<u>5,169,969.15</u>
 <u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>281,000.00</u>	<u>167,000.00</u>	<u>233,000.00</u>
Total Authorized but not Issued	<u>281,000.00</u>	<u>167,000.00</u>	<u>233,000.00</u>
 Net Bonds, Notes and Loans Issued and Authorized but not Issued	 <u>\$ 5,021,551.43</u>	 <u>\$ 5,285,238.97</u>	 <u>\$ 5,402,969.15</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.688%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 6,451,225.47	\$ 6,451,225.47	
General Debt	<u>5,021,551.43</u>		<u>\$ 5,021,551.43</u>
	<u>\$ 11,472,776.90</u>	<u>\$ 6,451,225.47</u>	<u>\$ 5,021,551.43</u>

Net Debt \$5,021,551.43 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$730,127,174.33 = 0.688%.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

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

3-1/2% Average Equalized Valuation of Real Property \$ 25,554,451.10

Net Debt 5,021,551.43

Remaining Borrowing Power \$ 20,532,899.67

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

Cash Receipts from Fees, Rents or Other Charges for Year \$ 1,501,784.62

Deductions:

Operating and Maintenance Cost 1,119,322.00

Excess in Revenue \$ 382,462.62

Note: If there is a deficit in revenue, sewer utility debt is not deductible to the extent of 20 times of said deficit or total debt service, whichever is smaller (40A:2-48).

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/16</u>
Serial Bonds:				
General Capital Fund	\$ 4,874,000.00		\$ 330,000.00	\$ 4,544,000.00
Bond Anticipation Notes:				
General Capital Fund	97,000.00	\$ 77,600.00	97,000.00	77,600.00
NJDEP Loans Payable:				
General Capital Fund	147,238.97		28,287.54	118,951.43
Total	<u>\$ 5,118,238.97</u>	<u>\$ 77,600.00</u>	<u>\$ 455,287.54</u>	<u>\$ 4,740,551.43</u>

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Prior Year

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/15</u>
Serial Bonds:				
General Capital Fund	\$ 3,804,000.00	\$ 1,400,000.00	\$ 330,000.00	\$ 4,874,000.00
Bond Anticipation Notes:				
General Capital Fund	1,191,000.00	97,000.00	1,191,000.00	97,000.00
NJDEP Loans Payable:				
General Capital Fund	174,969.15		27,730.18	147,238.97
Total	<u>\$ 5,169,969.15</u>	<u>\$ 1,497,000.00</u>	<u>\$ 1,548,730.18</u>	<u>\$ 5,118,238.97</u>

Analysis of Debt Issued and Outstanding at December 31, 2016

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
General Improvement Bonds of 2009	12/01/29	3.00%-4.00%	\$ 3,274,000.00
General Improvement Bonds of 2015	07/15/23	2.00%	1,270,000.00
			<u>\$ 4,544,000.00</u>

General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Purchase of Radios	07/20/17	1.09%	\$ 77,600.00
			<u>\$ 77,600.00</u>

General Capital NJ Department of Environmental Protection (NJDEP) Loans

<u>Description</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Open Space Acquisition Loan	10/9/2020	2.00%	\$ 118,951.43
			<u>\$ 118,951.43</u>
TOTAL DEBT ISSUED AND OUTSTANDING			<u>\$ 4,740,551.43</u>

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

General Capital New Jersey Department of Environmental Protection Loan

In 2001, the Borough of Peapack and Gladstone entered into a loan agreement with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection Fund (the "Fund"), in the aggregate amount of \$500,00.00 which represents direct obligations of the Borough. The loan agreement was obtained for the acquisition of open space.

Principal payments on the Loan commenced on January 9, 2001, and will continue on an annual basis over 20 years at 2.00% interest. The Borough will be responsible for all such interest and principal payments. The municipal balance of the loan as of December 31, 2016 was \$118,951.43.

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

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 378,856.13	\$ 151,770.46	\$ 530,626.59
2018	399,436.13	142,140.45	541,576.58
2019	415,027.81	131,461.29	546,489.10
2020	440,631.36	119,857.73	560,489.09
2021	430,000.00	107,460.00	537,460.00
2022-2026	1,730,000.00	345,387.50	2,075,387.50
2027-2029	869,000.00	70,280.00	939,280.00
	<u>\$ 4,662,951.43</u>	<u>\$ 1,068,357.43</u>	<u>\$ 5,731,308.86</u>

Net Pension Liability

The Borough's share of the State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$4,258,748 at June 30, 2016. The Borough's share of the State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$3,981,091 at June 30, 2016. See Note 5 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2016, which is included in the adopted budget for the Current and Sewer Utility Operating Funds for the year ending December 31, 2017 is as follows:

Current Fund	\$ 1,600,000.00
Sewer Utility Operating Fund	225,209.00



BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 4: Regional School Taxes

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

The Borough of Peapack and Gladstone has not elected to defer school taxes.

Note 5: Deferred Charges to be Raised in Succeeding Years' Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, there were no deferred charges to be raised in succeeding years budgets in any of the Borough's funds.

Note 6: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$128,936 for 2016.

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

Pension Liabilities and Pension Expense

At June 30, 2016, the Borough's liability was \$4,258,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.014%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Borough recognized actual pension expense in the amount of \$128,936.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<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 U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

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

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

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

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

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Borough's proportionate share of the Net Pension Liability	\$ 5,218,599	\$ 4,258,748	\$ 3,466,308

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

Benefits Provided

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

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

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

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific funded amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2016 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense 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.

Borough contributions to PFRS amounted to \$191,234 for the year ended December 31, 2016. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$12,810 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$42,700.

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

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2016, the Borough's liability for its proportionate share of the net pension liability was \$3,981,091. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.021%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$334,313 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the State's proportion was 0.021%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 3,981,091
State's Proportionate Share of the Net Pension Liability Associated with the Borough	334,313
Total Net Pension Liability	\$ 4,315,404

For the year ended December 31, 2016, the Borough recognized total pension expense of \$191,234.

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2016	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

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



BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<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 U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – PFRS

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

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 6: Pension Plans (Cont'd)

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

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1%	Current	1%
	Decrease (4.55%)	Discount Rate (5.55%)	Increase (6.55%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 5,564,396	\$ 4,315,404	\$ 3,296,925

Pension Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the Borough recognized pension expense of \$1,189.29 for the year ended December 31, 2016. Employee contributions to DCRP amounted to \$2,180.52 for the year ended December 31, 2016.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 7: Accrued Vacation and Compensatory Time Benefits

The Borough of Peapack and Gladstone has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$361,107.74 at December 31, 2016. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. This amount is partially funded in the Reserve for Accumulated Leave of \$244,250.50 reflected on the Other Trust Funds' balance sheet as of December 31, 2016.

Note 8: Selected Tax Information

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

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	\$ 1.919	\$ 1.884	\$ 1.900
<u>Apportionment of Tax Rate</u>			
Municipal	.588	.566	.566
County	.406	.402	.403
Regional School	.925	.916	.931
<u>Assessed Valuations</u>			
2016	<u>\$ 717,071,287.00</u>		
2015		<u>\$ 704,520,587.00</u>	
2014			<u>\$ 685,552,087.00</u>

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>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 13,827,503.00	\$ 13,664,386.94	98.82%
2015	13,324,440.38	13,113,988.14	98.42%
2014	13,078,328.65	12,935,886.43	98.91%

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 8: Selected Tax Information (Cont'd)

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

Note 9: Cash and Cash Equivalents

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

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

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

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

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

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

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit; and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

Deposits: (Cont'd)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

As of December 31, 2016, cash and cash equivalents of the Borough of Peapack and Gladstone consisted of the following:

Fund	Cash on Hand	Checking Accounts	New Jersey Cash Manage- ment Fund	Totals
Current	\$ 150.00	\$ 2,957,558.12	\$ 1,325,828.82	\$ 4,283,536.94
Animal Control		10,538.88		10,538.88
Other Trust		2,509,928.59		2,509,928.59
General Capital		353,155.90	110,000.00	463,155.90
Sewer Utility Operating		887,723.79	511,989.00	1,399,712.79
Sewer Utility Capital		354,404.23	60,000.00	414,404.23
Public Assistance		3,442.63		3,442.63
	<u>\$ 150.00</u>	<u>\$ 7,076,752.14</u>	<u>\$ 2,007,817.82</u>	<u>\$ 9,084,719.96</u>

The Borough did not hold any investments during the year ended December 31, 2016. The carrying amount of the Borough's cash and cash equivalents at year end was \$9,084,719.96 and the bank balance was \$9,184,972.14. The \$2,007,817.82 in the New Jersey Cash Management Fund is uninsured and unregistered.

Note 10: Risk Management

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

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

The following coverages are offered by these funds to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

As a member of this Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Funds were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 10: Risk Management (Cont'd)

This Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The December 31, 2016 audit report for the fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2015 is as follows:

	Statewide Insurance Fund
Total Assets	\$ 42,511,989
Net Position	\$ 5,327,694
Total Revenue	\$ 27,313,612
Total Expenses	\$ 27,163,170
Change in Net Position	\$ 150,442
Members Dividends	\$ -0-

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Statewide Insurance Fund  
One Sylvan Way  
Parsippany, NJ 07054  
(862) 260-2050

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

The following is a summary of Borough and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years:

Year	Borough Contribution	Interest Earned	Amount Reimbursed	Ending Balance
2016	\$ 2,000.00	\$ 11.64	\$ 11,624.00	\$ 10,472.34
2015	2,000.00	14.39	5,755.00	20,084.70
2014	2,000.00	12.85		23,825.31

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 11: Interfund Receivables and Payables

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current - Regular	\$ 2,376.50	\$ 576,205.77
Current - Federal and State Grant	104,447.40	
Animal Control		2,373.88
Other Trust	471,758.37	
General Capital		2.62
Sewer Utility Operating	4.41	
Sewer Utility Capital		4.41
	<u>\$ 578,586.68</u>	<u>\$ 578,586.68</u>

The interfund receivable in the Current Fund is comprised of the statutory excess in the Reserve for Animal Control Fund Expenditures due from the Animal Control Fund and December interest earnings due from the Animal Control Fund and the General Capital Fund. The interfund receivable in the Federal and State Grant Fund reflects the net of Federal and State Grant Fund expenditures paid by the Current Fund and Federal and State Grant Fund receipts collected by the Current Fund. The interfund receivable in the Other Trust Fund is primarily comprised of the open space tax levy due from the Current Fund, budget appropriations not turned over from the Current Fund and uniform construction code fees collected in the Other Trust Fund due to the Current Fund; offset by December interest earnings and a prior year interfund due to the Current Fund. The interfund receivable in the Sewer Utility Operating Fund is for December interest earnings due from the Sewer Utility Capital Fund.

Note 12: Economic Dependency

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

Note 13: Contingent Liabilities

The Borough is occasionally involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Borough vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position.

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



BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Note 14: Fixed Assets

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

	Restated Balance Dec. 31, 2015	Additions	Deletions	Balance Dec. 31, 2016
Land	\$ 5,437,362.00			\$ 5,437,362.00
Land Improvements	192,873.00			192,873.00
Buildings	1,347,855.00			1,347,855.00
Machinery and Equipment	4,322,460.00	\$ 42,663.00	\$ 336,443.00	4,028,680.00
	<u>\$ 11,300,550.00</u>	<u>\$ 42,663.00</u>	<u>\$ 336,443.00</u>	<u>\$ 11,006,770.00</u>

Note 15: Post-Retirement Medical Benefits

In addition to the pension benefits described in Note 6, the Borough provides other post-retirement benefits to certain Borough employees after retirement, substantially similar in nature to the health benefits provided to employees presently working.

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

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

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

Borough, Elected Officials, Police and Fire Employees

Upon retirement, full time Borough employees and elected officials retired with twenty-five (25) or more years of service, and fifteen (15) years of service with the employer will receive full benefits. The coverage applies to the employee and their dependents. In the event of an employee's death, coverage ceases.

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.

BOROUGH OF PEAPACK AND GLADSTONE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis.

The Borough's portion of post-retirement benefits is funded on a pay-as-you go basis from the Current Fund operating budget. During 2016 the Borough had approximately 15 employees who met eligibility requirements and recognized expenses of approximately \$283,844.68.

Note 16: Deferred Compensation

The Borough of Peapack and Gladstone offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by The Variable Annuity Life Insurance Company is available to all Borough of Peapack and Gladstone employees and permits participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 17: Prior Period Adjustment

The prior year balance for the General Fixed Assets Account Group was restated to reflect the amount recorded in the Borough's records and independent fixed assets appraisal report.

	Balance 12/31/2015	Retroactive Adjustments	Balance 12/31/2015 Restated
Land	\$ 11,616,450.34	\$ (6,179,088.34)	\$ 5,437,362.00
Land Improvements	192,873.00		192,873.00
Buildings	1,372,841.50	(24,986.50)	1,347,855.00
Machinery and Equipment	4,361,760.03	(39,300.03)	4,322,460.00
Total	\$ 17,543,924.87	\$ (6,243,374.87)	\$ 11,300,550.00

SUPPLEMENTARY DATA

BOROUGH OF PEAPACK AND GLADSTONE  
OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2016

Name	Title	Amount of Bond	Name of Corporate Surety
William Muller	Mayor		
Anthony Suriano	Council President		
Gianpaolo Caminiti	Councilmember		
Mark A. Corigliano	Councilmember		
Donald R. Lemma	Councilmember		
T. Williams Simpson	Councilmember		
Royal Smith	Councilmember		
John Gregory	Administrator; Clerk	Blanket (2)	
Donna Bassman	Deputy Clerk	Blanket (2)	
Mary P. Robinson	Chief Financial Officer; Tax Collector; Treasurer; Tax Search Officer	\$ 200,000.00	Selective Insurance
Edward L. Kerwin, Jr.	Tax Assessor		
Theresa M. Kelly	Payroll Clerk; Deputy Treasurer	\$ 50,000.00	Selective Insurance
Hollyann Dominguez	Sewer Collector	\$ 100,000.00	Western Surety Company
John E. Bruder	Attorney		
Miles S. Winder, III	Municipal Prosecutor		
James Fania	Construction Code Official	Blanket (2)	
Rodney McCatharn	Public Works Supervisor	Blanket (2)	
Katherine Howse	Judge	Blanket (1)	
Vicki Mangulson	Deputy Court Administrator	Blanket (1)	

(1) Public Employees Faithful Performance Position Bond issued by the Selective Insurance Company of America with coverage for Municipal Court personnel in the amount of \$10,000.00 is in force.

(2) There is Employee Theft Insurance coverage written with Fidelity and Deposit Company of Maryland through the Statewide Insurance Fund in the amount of \$1,000,000.00

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
CURRENT FUND

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 4,067,530.92
Increased by Receipts:		
Tax Collector		\$ 14,042,432.27
Third Party Tax Title Liens		175,402.56
Revenue Accounts Receivable		510,569.81
Due from State of New Jersey:		
Marriage License Fees		150.00
Veterans and Senior Citizens' Deductions		14,292.35
Miscellaneous Revenue Not Anticipated		255,652.09
Due Other Trust Funds:		
Partial Settlement of Prior Year Interfund		24,465.79
Due from Animal Control Trust Fund:		
Interfunds Returned		0.22
Due from Payroll Net and Agency:		
Interfunds Returned		0.93
Due from General Capital Fund:		
Interfunds Returned		3.96
Appropriation Refunds		92,756.91
Reserve for Police Donations		3,525.00
Due to Federal and State Grant Fund:		
Unappropriated Grant Reserves		13,557.31
Grant Receivables		9,355.00
		<u>15,142,164.20</u>
		19,209,695.12
Decreased by Disbursements:		
2016 Appropriation Expenditures		4,429,745.38
2015 Appropriation Reserves		307,787.66
Regional School Taxes		6,636,957.00
County Taxes		2,935,378.47
Third Party Tax Title Liens		175,402.56
Due to Federal and State Grant Fund:		
Appropriated Grant Expenditures		23,209.61
Due to State of New Jersey:		
Marriage License Fees		175.00
Due Other Trust Funds:		
Open Space Trust Fund Interfund Returned		410,397.63
Housing Development Trust Interfund Advanced		5,000.00
Reserve for Master Plan		2,254.87
		<u>14,926,308.18</u>
Balance December 31, 2016	A	<u>\$ 4,283,386.94</u>

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2016

Increased by Receipts:

Taxes Receivable	\$ 13,831,681.95
2017 Prepaid Taxes	134,507.91
Interest and Costs on Taxes	63,039.56
Tax Overpayments	13,202.85

\$ 14,042,432.27

Decreased by:

Payments to Municipal Treasurer

\$ 14,042,432.27

SCHEDULE OF CASH - GRANT FUNDS  
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2016 Levy	Added Taxes	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Overpayments Applied	Cancelled	Balance
	Dec. 31, 2015			2015	2016				Dec. 31, 2016
2013			\$ 25,771.87		\$ 25,771.87				
2014			37,924.95		37,924.95				
2015	\$ 207,201.77		37,605.58		244,807.35				
	<u>207,201.77</u>		101,302.40		308,504.17				
2016		\$ 13,827,503.00		\$ 119,999.20	13,523,177.78	\$ 13,542.35	\$ 7,667.61	\$ 5,902.84	\$ 157,213.22
	<u>\$ 207,201.77</u>	<u>\$ 13,827,503.00</u>	<u>\$ 101,302.40</u>	<u>\$ 119,999.20</u>	<u>\$ 13,831,681.95</u>	<u>\$ 13,542.35</u>	<u>\$ 7,667.61</u>	<u>\$ 5,902.84</u>	<u>\$ 157,213.22</u>
Ref.	A								A

Analysis of 2016 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 13,760,598.00
Business Personal Property Taxes	66,905.00
	<u>\$ 13,827,503.00</u>

Tax Levy:

Regional School District Taxes	\$ 6,636,957.00
County Taxes	\$ 2,899,718.81
Due County for Added and Omitted Taxes	35,659.66
	<u>2,935,378.47</u>
	9,572,335.47
Local Tax for Municipal Purposes Levied	4,002,079.78
Municipal Open Space Tax Levy	217,758.13
Additional Taxes Levied	35,329.62
	<u>4,255,167.53</u>
	<u>\$ 13,827,503.00</u>



BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS  
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2015	Accrued In 2016	Received In 2016	Balance Dec. 31, 2016
Clerk:				
Alcoholic Beverage Licenses		\$ 13,313.00	\$ 13,313.00	
Municipal Court:				
Fines and Costs	\$ 7,554.41	84,197.06	84,348.61	\$ 7,402.86
Uniform Construction Code Fees		161,849.20	161,849.20	
Energy Receipts Taxes		251,059.00	251,059.00	
	\$ 7,554.41	\$ 510,418.26	\$ 510,569.81	\$ 7,402.86

Ref.            A

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BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF 2015 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b>GENERAL GOVERNMENT:</b>				
General Administration:				
Salaries & Wages	\$ 520.00	\$ 520.00		\$ 520.00
Other Expenses	18,873.61	8,873.61	\$ 1,056.18	7,817.43
Mayor and Council:				
Other Expenses	18,143.93	18,143.93	5,324.10	12,819.83
Municipal Clerk:				
Salaries & Wages	1,029.00	1,029.00		1,029.00
Other Expenses	13,536.06	13,536.06	3,405.69	10,130.37
Financial Administration:				
Other Expenses	3,935.62	3,935.62	695.32	3,240.30
Annual Audit	24,950.00	24,950.00	24,850.00	100.00
Computer Information Technology				
Other Expenses	8,100.54	8,100.54	2,594.02	5,506.52
Revenue Administration (Tax Collection):				
Other Expenses	2,061.53	2,061.53	211.86	1,849.67
Tax Assessment Administration:				
Salaries & Wages	1,350.87	1,350.87	74.19	1,276.68
Other Expenses	1,698.58	1,698.58	979.58	719.00
Legal Services and Costs:				
Other Expenses - Fees	33,183.57	33,183.57	24,444.50	8,739.07
Engineering Services and Costs:				
Other Expenses	8,067.89	18,067.89	13,363.67	4,704.22
Cultural Heritage				
Other Expenses	250.00	250.00		250.00
Municipal Land Use Law:				
Land Use Board:				
Salaries & Wages	3,996.99	3,996.99	84.00	3,912.99
Other Expenses	13,413.89	13,413.89	3,497.75	9,916.14
Zoning Cost:				
Salaries & Wages	1,356.00	1,356.00		1,356.00
Other Expenses	404.14	404.14	293.81	110.33
Insurance:				
Group Insurance Plans for Employees	64,082.79	64,082.79	37,197.02	26,885.77
General Liability Insurance	9,372.51	9,372.51		9,372.51
Workers Compensation	1,000.00	1,000.00		1,000.00
<b>PUBLIC SAFETY:</b>				
Police:				
Salaries & Wages	44,465.82	44,465.82	42,240.92	2,224.90
Other Expenses	29,473.46	29,473.46	14,198.25	15,275.21

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF 2015 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
PUBLIC SAFETY: (Cont'd)				
Emergency Management Services:				
Salaries & Wages	\$ 20.00	\$ 20.00		\$ 20.00
Other Expenses	5,369.35	5,369.35	\$ 1,418.16	3,951.19
Fire:				
Other Expenses	16,791.93	16,791.93	13,040.43	3,751.50
Fire Prevention Program:				
Salaries & Wages	912.00	912.00		912.00
Other Expenses	1,315.00	1,315.00	500.80	814.20
Fire Hydrant Services	7,393.22	7,393.22	7,336.98	56.24
Streets and Roads:				
Salaries & Wages - Streets and Roads	17,994.35	17,994.35	17,994.35	
Other Expenses - Maintenance and Repairs	26,945.71	26,945.71	26,878.87	66.84
Shade Tree Commission				
Other Expenses	1,100.00	1,100.00	1,100.00	
Garbage and Trash Removal:				
Other Expenses	18,135.31	18,135.31	10,988.23	7,147.08
Public Building and Grounds:				
Salaries & Wages	14,284.90	14,284.90	281.96	14,002.94
Other Expenses	56,118.21	56,118.21	31,172.65	24,945.56
Vehicle Maintenance:				
Other Expenses	8,516.69	8,516.69	5,093.58	3,423.11
HEALTH AND WELFARE:				
Board of Health:				
Other Expenses	17.07	17.07		17.07
Environmental Commission:				
Other Expenses	7,015.97	7,015.97	6,998.92	17.05
Animal Control:				
Other Expenses	7.68	7.68		7.68
PARKS AND RECREATION FUNCTIONS:				
Recreation Services and Programs				
Salaries & Wages	5.00	5.00		5.00
Other Expenses	539.56	539.56	379.15	160.41
Senior Citizen Center Transportation:				
Salaries & Wages	5,514.68	5,514.68		5,514.68
Other Expenses	395.00	395.00		395.00

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF 2015 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

	Balance Dec. 31, 2015	Balance After Modification	Paid or Charged	Balance Lapsed
Uniform Construction Code:				
Construction Official:				
Salaries & Wages	\$ 11,698.54	\$ 11,698.54	\$ 441.00	\$ 11,257.54
Other Expenses	1,306.02	1,306.02		1,306.02
Unclassified:				
Telephone	3,667.83	3,667.83	3,601.75	66.08
Water	1,196.27	1,196.27	356.89	839.38
Gasoline	27,380.08	27,380.08	813.92	26,566.16
Electricity	12,658.38	12,658.38	5,099.94	7,558.44
Street Lighting	13,406.36	13,406.36	1,625.11	11,781.25
Natural Gas	19,148.81	19,148.81	3,062.64	16,086.17
Landfill Settlement Costs	21,276.62	21,276.62	14,242.01	7,034.61
Deferred Charges and Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	8,940.09	8,940.09	15.30	8,924.79
Defined Contribution Retirement Fund	2,526.62	2,526.62		2,526.62
Contingent	2,000.00	2,000.00		2,000.00
Operations Excluded from "CAPS"				
Maintenance of Library				
Other Expenses	1,839.82	1,839.82	1,550.60	289.22
Recycling Tax	1,467.24	1,467.24	846.06	621.18
LOSAP - Fire Company	36,000.00	36,000.00	28,278.04	7,721.96
LOSAP - First Aid Squad	17,000.00	17,000.00	13,524.28	3,475.72
Donations:				
Police Equipment	256.73	256.73	235.18	21.55
Garden Club Somerset Hills	800.00	800.00	800.00	
	<u>\$ 674,227.84</u>	<u>\$ 674,227.84</u>	<u>\$ 372,187.66</u>	<u>\$ 302,040.18</u>

	<u>Ref.</u>		
Encumbered	A	\$	238,696.70
Unencumbered	A		435,531.14
		<u>\$</u>	<u>674,227.84</u>

Cash Disbursed	\$ 307,787.66
Due to Other Trust Funds - Reserve for Accumulated Leave	40,000.00
Due to Other Trust Funds - Reserve for Storm Recovery	24,400.00
	<u>\$ 372,187.66</u>

BOROUGH OF PEAPACK AND GLADSTONE  
CURRENT FUND  
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 1,263.14
Increased by:		
Levy - Calendar Year 2016		6,636,957.00
		<u>6,638,220.14</u>
Decreased by:		
Payments to Regional School District		6,636,957.00
		<u>6,636,957.00</u>
Balance December 31, 2016	A	<u><u>\$ 1,263.14</u></u>

BOROUGH OF PEAPACK AND GLADSTONE  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2015	2016 Budget Revenue Realized	Grant Funds Received in Current Fund	Grant Funds Transferred from Current Fund	Transferred from Unappropriated Reserves	Balance Dec. 31, 2016
Body Armor Replacement Fund		\$ 1,089.36			\$ 1,089.36	
Clean Communities Grant		7,464.56			7,464.56	
Alcohol Education and Rehabilitation Fund		235.73			235.73	
Recycling Tonnage Grant		4,211.48			4,211.48	
County Municipal Planning Grant	\$ 14,250.00					\$ 14,250.00
NJ Highlands Plan Conformance Grant	7,500.00					7,500.00
Smart Growth Planning Assistance Grant	6,500.00					6,500.00
Sustainable Jersey Small Grant	7,500.00					7,500.00
Police Donations		9,425.00		\$ 9,425.00		
Garden Club Somerset Hills		1,000.00	\$ 1,000.00			
Somerset County DWI Grant	4,000.00		4,000.00			
Somerset County DWI Grant		10,930.00	4,355.00			6,575.00
	<u>\$ 39,750.00</u>	<u>\$ 34,356.13</u>	<u>\$ 9,355.00</u>	<u>\$ 9,425.00</u>	<u>\$ 13,001.13</u>	<u>\$ 42,325.00</u>

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BOROUGH OF PEAPACK AND GLADSTONE  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2015	Grant Funds Received	Transferred to 2016 Budget Revenue	Balance Dec. 31, 2016
Recycling Tonnage Grant	\$ 4,211.48	\$ 3,878.82	\$ 4,211.48	\$ 3,878.82
Body Armor Replacement Fund	1,089.36	1,141.59	1,089.36	1,141.59
Clean Communities Grant	7,464.56	8,536.90	7,464.56	8,536.90
Alcohol Education and Rehabilitation Fund	235.73		235.73	
	<u>\$ 13,001.13</u>	<u>\$ 13,557.31</u>	<u>\$ 13,001.13</u>	<u>\$ 13,557.31</u>

Ref.

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BOROUGH OF PEAPACK AND GLADSTONE  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2015	Transferred from Budget Appropriations	Prior Year Cancelled Encumbrances Payable	Expended in Current Fund	Balance Dec. 31, 2016
NJ Forestry Management Grant	\$ 1,972.18				\$ 1,972.18
NJ Forestry Management Grant - Matching	916.67				916.67
Space Study Grant	1,944.00				1,944.00
Municipal Court Alcohol Education and Rehabilitation Fund - 2015	2,813.64				2,813.64
Municipal Court Alcohol Education and Rehabilitation Fund - 2016		\$ 235.73			235.73
Recycling Tonnage Grant -Prior Years	13,147.80			\$ 535.00	12,612.80
Recycling Tonnage Grant -2016		4,211.48			4,211.48
Body Armor Replacement Fund - Prior Years	4,556.63		\$ 975.00	1,442.55	4,089.08
Body Armor Replacement Fund - 2016		1,089.36			1,089.36
New Jersey Highlands Council Planning Grant	1,472.16				1,472.16
Drunk Driving Enforcement Fund - 2015	2,242.96		95.95	1,142.96	1,195.95
Clean Communities Grant - Prior Years	9,694.71			1,172.30	8,522.41
Clean Communities Grant - 2016		7,464.56			7,464.56
Municipal Alliance on Alcoholism and Drug Abuse:					
Municipal Share 2015	175.00			175.00	
Municipal Share 2016		726.80		551.80	175.00
Domestic Violence Training Program	1,597.43				1,597.43
Federal Bulletproof Vest Grant	22.25				22.25
Somerset County Youth Athletic and Recreation	15,000.00				15,000.00
Somerset County Chief's Association	1,000.00				1,000.00
Somerset County DWI Grant - 2015	450.00			450.00	
Somerset County DWI Grant - 2016		10,930.00		8,015.00	2,915.00
Police Donations		9,425.00		8,725.00	700.00
Garden Club Somerset Hills		1,000.00		1,000.00	
County Municipal Planning Grant	14,250.00				14,250.00
County Cross Acceptance Grant	2,000.00				2,000.00

BOROUGH OF PEAPACK AND GLADSTONE  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF APPROPRIATED RESERVES  
(Continued)

	Balance Dec. 31, 2015	Transferred from Budget Appropriations	Prior Year Cancelled Encumbrances Payable	Expended in Current Fund	Balance Dec. 31, 2016
Municipal Stormwater Regulation Program	\$ 5.39				\$ 5.39
Gov. Connect Municipal Clerk	0.45				0.45
N.J. Local Library Aid Grant	25,000.00				25,000.00
Smart Growth Planning Assistance Grant	6,500.00				6,500.00
Smart Growth Planning Assistance Grant - Matching	6,500.00				6,500.00
Sustainable Jersey Small Grant	7,686.00				7,686.00
Help America Vote Grant	523.55				523.55
Green Community Grant	400.00				400.00
Green Community Grant - Matching	400.00				400.00
	<u>\$ 120,270.82</u>	<u>\$ 35,082.93</u>	<u>\$ 1,070.95</u>	<u>\$ 23,209.61</u>	<u>\$ 133,215.09</u>

Ref.

	A		A
State	\$ 13,001.13	\$ 1,070.95	\$ 4,292.81
County and Local Grants	21,355.00		18,190.00
Match	726.80		726.80
	<u>\$ 35,082.93</u>	<u>1,070.95</u>	<u>\$ 23,209.61</u>

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
TRUST FUNDS

BOROUGH OF PEAPACK AND GLADSTONE  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

		Animal Control Fund	Other Trust Funds
<u>Ref.</u>			
Balance December 31, 2015	B	\$ 7,755.62	\$ 2,038,798.22
Increased by Receipts:			
Borough Dog License Fees		\$ 3,430.40	
Penalties on Dog License Fees		395.00	
State Dog License Fees		513.60	
Due to Current Fund:			
Uniform Construction Code Fees			\$ 15,704.80
Interest Earned	0.28		15.19
Open Space Prior Year Interfund Returned			410,397.63
Reserve for Housing Trust - Interfund Advanced			5,000.00
Police Outside Service Administrative Fee			852.17
Due to State of New Jersey:			
DCA Fees			28,846.00
Reserve for:			
Open Space			216.19
Housing Trust			148,927.70
Unemployment Compensation Insurance			2,011.64
Council on Affordable Housing			224.73
Developers Escrow			71,921.30
Recreation Commission			74,011.30
Forfeited Assets			0.22
Flexible Spending			675.00
Escrow Deposits			148.22
Parking Offense Adjudication Act			18.00
Accumulated Leave			10,000.00
Recycling			75.00
Tax Sale Premiums			145,800.00
Police Outside Services			94,950.00
Historic Preservation Commission			145.00
		4,339.28	1,009,940.09
		12,094.90	3,048,738.31
Decreased by Disbursements:			
Due to State of New Jersey Board of Health		517.80	
Administrative Expenses (R.S. 4:19-15.11)		1,038.00	
Due to Current Fund:			
Prior Year Interfund Returned	0.22		24,465.79
Reserve for:			
Open Space			192,539.40
Housing Trust			47,512.08
Unemployment Compensation Insurance			11,624.00
Developers Escrow			64,712.50
Recreation Commission			69,937.66
Forfeited Assets			449.00
Flexible Spending			1,778.66
Accumulated Leave			10,173.13
Police Outside Services			89,392.50
Due to State of New Jersey:			
DCA Fees			26,225.00
		1,556.02	538,809.72
Balance December 31, 2016	B	\$ 10,538.88	\$ 2,509,928.59

BOROUGH OF PEAPACK AND GLADSTONE  
ASSESSMENT TRUST FUND  
ANALYSIS OF ASSESSMENT TRUST FUND CASH  
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 7,845.80
Increased by:		
Dog License Fees Collected		\$ 3,430.40
Miscellaneous Fees		395.00
		3,825.40
		11,671.20
Decreased by:		
Expenditures Under R.S. 4:19-15.11		1,038.00
Statutory Excess Due to Current Fund		2,373.60
		3,411.60
Balance December 31, 2016	B	\$ 8,259.60

License Fees Collected	
Year	Amount
2014	\$ 4,560.40
2015	3,699.20
Maximum Allowable Reserve	\$ 8,259.60

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
GENERAL CAPITAL FUND



BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH - TREASURER

Balance December 31, 2015	<u>Ref.</u> C	\$ 418,092.52
Increased by:		
2016 Budget Appropriation:		
Capital Improvement Fund	\$ 100,000.00	
Deferred Charges to Future Taxation Unfunded	19,400.00	
Bond Anticipation Notes	77,600.00	
New Jersey Department of Transportation Grant	42,500.00	
Due to Current Fund:		
Interest Earned	54.50	
	<hr/>	239,554.50
		<hr/> 657,647.02
Decreased by:		
Improvement Authorization Expenditures	89,265.28	
Due to Current Fund:		
Interest Earned	55.84	
Reserve for Encumbrances	8,170.00	
Bond Anticipation Notes	97,000.00	
	<hr/>	194,491.12
		<hr/> <hr/> 194,491.12
Balance December 31, 2016	C	<u>\$ 463,155.90</u>

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2015	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2016
		Budget Appropriation	Bond		Improvement Authorizations	Bond		From	To	
			Anticipation Notes	Miscellaneous		Anticipation Notes	Miscellaneous			
Capital Improvement Fund	\$ 108,969.57	\$ 100,000.00					\$ 38,000.00		\$ 170,969.57	
Due to/from Current Fund	3.96			\$ 54.50			\$ 55.84		2.62	
Due from New Jersey Department of Transportation Grant	(117,500.00)			42,500.00				353,000.00	(428,000.00)	
Reserve for Encumbrances	47,869.26						8,170.00	39,699.26		
Fund Balance	11,521.91								11,521.91	

Ord. Date	Improvement Description								
749	Police Equipment							\$ 8,415.00	8,415.00
791	Various Improvements- Police and Fire Equipment	320.13							320.13
310/824/848	Various Improvements- Renovations to the Fire House	13,276.51						13.50	13,290.01
946	Various Improvements- Improvements to Borough Complex	26,500.00							26,500.00
947	Various Improvements- Improvements to Liberty Park	73,829.05							73,829.05
955/956	Various Improvements:								
	Purchase of Computer Network System	30.48							30.48
	Purchase of Police Equipment	4,930.43							4,930.43
	Improvements to Highland Ave and Timmer Lane	14.56							14.56
	Purchase of HVAC System	5,099.10							5,099.10
957	Acquisition of Police Records Management System	8,006.00							8,006.00
968	Acquisition of Fire Equipment	1,212.00							1,212.00
972	Various Acquisitions and Improvements:								
	Lights, Air Conditioner and Windows in Municipal Building	850.95							850.95
	Acquisition of Police and OEM Equipment	4,149.89							4,149.89
	Acquisition of DPW Pickup Truck	2,382.40							2,382.40
973	Various Acquisitions and Improvements:								
	Acquisition of Generator for First Aid Squad	1,560.31							1,560.31
	Acquisition of Generator for DPW Building	1,168.64							1,168.64
	Improvements to Overlook Avenue and Municipal Building								
	Parking Lot	149.66							149.66
979	Reconstruction and Paving of Branch Road	23.81							23.81
982	Purchase of DPW Equipment	97.52							97.52
991	Purchase of Police and OEM Equipment and Sidewalk								
	Installation	10,324.59							10,324.59
992	Various Capital Improvements:								
	Purchase of Police Vehicles	2,105.11							2,105.11
	Resurfacing of Willow Avenue	17.14							17.14
	Crosswalk Improvements at Highland Ave. and Main St.	148.57							148.57
	Replacement Boiler	500.00							500.00
	Purchase of Backhoe	246.80							246.80
996	Replacement of DPW Equipment	58.94							58.94
1002	Replacement of Sidewalks	94.00						1,498.12	1,592.12
1003	Purchase of Police Vehicles and Salt Spreader	2,830.02							2,830.02

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2015	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2016
		Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
1004 Various Capital Improvements:										
Renovation of Firehouse	\$ 75,000.00				\$ 73,209.49					\$ 1,790.51
Purchase of Fire Vehicle	375.00									375.00
Reconstruction and Paving of Branch Road (Phase II)	26,198.18				493.20			\$ 19,772.64		45,477.62
Reconstruction and Paving of Holland Road and Todd Avenue	2,578.16									2,578.16
1010 Acquisition of Emergency Generators	33,734.22				5,273.99					28,460.23
1012 Purchase of Radios	1,043.62	\$ 19,400.00	\$ 77,600.00			\$ 97,000.00				1,043.62
1013 Milling/Paving Improvements to Various Roads	68,372.03							10,000.00		78,372.03
1021 Milling/Paving of Sections 1 & 3 of Mosle Road					3,304.60			181,000.00		177,695.40
1022 Acquisition of Landscape Trailer					6,984.00			7,000.00		16.00
1028 Milling/Paving Portion of Willow Ave								203,000.00		203,000.00
	<u>\$ 418,092.52</u>	<u>\$ 119,400.00</u>	<u>\$ 77,600.00</u>	<u>\$ 42,554.50</u>	<u>\$ 89,265.28</u>	<u>\$ 97,000.00</u>	<u>\$ 8,225.84</u>	<u>\$ 430,699.26</u>	<u>\$ 430,699.26</u>	<u>\$ 463,155.90</u>

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance Dec. 31, 2015	Notes Paid by		Balance Dec. 31, 2016	Analysis of Balance December 31, 2016	
			Budget Appropriation	2016 Authorizations		Financed by Bond Anticipation Notes	Unexpended Improvement Authorizations
955/956	Improvements to Highland Ave. and Trimmer Lane	\$ 159,500.00			\$ 159,500.00		\$ 159,500.00
992	Various Capital Improvements- Replacement of Boiler	7,500.00			7,500.00		7,500.00
1012	Purchase of Radios	97,000.00	\$ 19,400.00		77,600.00	\$ 77,600.00	
1021	Milling/Paving of Sections 1 & 3 of Mosle Road			\$ 114,000.00	114,000.00		114,000.00
		<u>\$ 264,000.00</u>	<u>\$ 19,400.00</u>	<u>\$ 114,000.00</u>	<u>\$ 358,600.00</u>	<u>\$ 77,600.00</u>	<u>\$ 281,000.00</u>
	<u>Ref.</u>	C			C		\$ 282,043.62
							Less: Unexpended Proceeds of Bond Anticipation Notes Issued:
							Ordinance 1012 - Purchase of Radios
							<u>(1,043.62)</u>
							<u>\$ 281,000.00</u>

**BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Ordinance		Balance Dec. 31, 2015		2016 Authorizations		Paid or Charged	Prior Year Encumbrance Cancelled	Balance Dec. 31, 2016	
		Date	Amount	Funded	Unfunded	Funded by Various Sources	Deferred Charges to Future Taxation-Unfunded			Funded	Unfunded
749	Police Equipment								\$ 8,415.00	\$ 8,415.00	
791	Various Improvements- Police and Fire Equipment	04/10/01	\$ 41,459.00	\$ 320.13						320.13	
810/824/848	Various Improvements- Renovations to the Fire House	06/25/02	200,000.00	13,276.51					13.50	13,290.01	
946	Various Improvements- Improvements to Borough Complex	05/11/10	26,500.00	26,500.00						26,500.00	
947	Various Improvements- Improvements to Liberty Park	05/11/10	100,000.00	73,829.05						73,829.05	
955/956	Various Improvements:										
	Purchase of Computer Network System	08/14/11	60,000.00	30.48						30.48	
	Purchase of Police Equipment	08/14/11	234,000.00	4,930.43						4,930.43	
	Improvements to Highland Ave and Timmer Lane	08/14/11	175,000.00	14.56	\$ 159,500.00					14.56	\$ 159,500.00
	Purchase of HVAC System	08/14/11	10,000.00	5,099.10						5,099.10	
957	Acquisition of Police Records Management System	07/12/11	15,480.00	8,006.00						8,006.00	
968	Acquisition of Fire Equipment	04/24/12	15,000.00	1,212.00						1,212.00	
972	Various Acquisitions and Improvements:										
	Lights, Air Conditioner and Windows in Municipal Building	05/22/12	90,000.00	850.95						850.95	
	Acquisition of Police and OEM Equipment	05/22/12	55,500.00	4,149.89						4,149.89	
	Acquisition of DPW Pickup Truck	05/22/12	35,000.00	2,382.40						2,382.40	
973	Various Acquisitions and Improvements:										
	Acquisition of Generator for First Aid Squad	05/22/12	60,250.00	1,560.31						1,560.31	
	Acquisition of Generator for DPW Building	05/22/12	52,750.00	1,168.64						1,168.64	
	Improvements to Overlook Avenue and Municipal Building Parking Lot	05/22/12	67,000.00	149.66						149.66	
979	Reconstruction and Paving of Branch Road	09/25/12	235,000.00	23.81						23.81	
982	Purchase of DPW Equipment	03/12/13	8,900.00	97.52						97.52	
991	Purchase of Police and OEM Equipment and Sidewalk Installation	07/23/13	38,700.00	10,324.59						10,324.59	
992	Various Capital Improvements:										
	Purchase of Police Vehicles	07/23/13	37,000.00	2,105.11						2,105.11	
	Resurfacing of Willow Avenue	07/23/13	170,000.00	17.14						17.14	
	Crosswalk Improvements at Highland Ave. and Main St.	07/23/13	27,000.00	148.57						148.57	
	Replacement Boiler	07/23/13	8,000.00	500.00	7,500.00					500.00	7,500.00
	Purchase of Backhoe	07/23/13	86,000.00	246.80						246.80	
996	Replacement of DPW Equipment	12/14/13	46,100.00	58.94						58.94	
1002	Replacement of Sidewalks	07/22/14	60,000.00	94.00					1,498.12	1,592.12	
1003	Purchase of Police Vehicles and Salt Spreader	07/22/14	57,000.00	2,830.02						2,830.02	
1004	Various Capital Improvements:										
	Renovation of Firehouse	07/22/14	75,000.00	75,000.00				\$ 73,209.49		1,790.51	
	Purchase of Fire Vehicle	07/22/14	39,000.00	375.00						375.00	
	Reconstruction and Paving of Branch Road (Phase II)	07/22/14	275,000.00	26,198.18				493.20	19,772.64	45,477.62	
	Reconstruction and Paving of Holland Road and Todd Avenue	07/22/14	170,000.00	2,578.16						2,578.16	
1010	Acquisition of Emergency Generators	05/26/15	75,000.00	33,734.22				5,273.99		28,460.23	
1012	Purchase of Radios	06/09/15	102,000.00		1,043.62						1,043.62
1013	Milling/Paving Improvements to Various Roads	06/09/15	199,000.00	68,372.03					10,000.00	78,372.03	
1021	Milling/Paving of Sections 1 & 3 of Mosle Road	04/12/16	295,000.00			\$ 181,000.00	\$ 114,000.00	3,304.60		177,695.40	114,000.00
1022	Acquisition of Landscape Trailer	04/26/16	7,000.00			7,000.00		6,984.00		16.00	
1028	Milling/Paving Portion of Willow Ave	07/19/16	203,000.00			203,000.00				203,000.00	
				\$ 366,184.20	\$ 168,043.62	\$ 391,000.00	\$ 114,000.00	\$ 89,265.28	\$ 39,699.26	\$ 707,618.18	\$ 282,043.62
		Ref		C	C					C	C
						Capital Improvement Fund	\$ 38,000.00				
						New Jersey Department of Transportation Grant Receivables	353,000.00				
							<u>\$ 391,000.00</u>				

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 108,969.57
Increased by:		
Current Fund Budget Appropriation		<u>100,000.00</u>
		208,969.57
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>38,000.00</u>
Balance December 31, 2016	C	<u><u>\$ 170,969.57</u></u>

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>Improvement Authorization</u>	<u>Ord. No.</u>	<u>Issue of Original Note</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance Dec. 31, 2016</u>
			<u>Issue</u>	<u>Maturity</u>					
Purchase of Radios	1012	07/21/15	07/21/15	07/21/16	1.50%	\$ 97,000.00		\$ 97,000.00	
			07/20/16	07/20/17	1.09%		\$ 77,600.00		\$ 77,600.00
						<u>\$ 97,000.00</u>	<u>\$ 77,600.00</u>	<u>\$ 97,000.00</u>	<u>\$ 77,600.00</u>
					<u>Ref.</u>	<u>C</u>			<u>C</u>
					Renewals		\$ 77,600.00	\$ 77,600.00	
					Paid by Budget Appropriation			19,400.00	
							<u>\$ 77,600.00</u>	<u>\$ 97,000.00</u>	

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Matured	Balance Dec. 31, 2016
			Date	Amount				
General Improvement Bonds of 2009	12/01/09	\$ 4,494,000.00	12/01/17	\$ 205,000.00	3.000%	\$ 3,474,000.00	\$ 200,000.00	\$ 3,274,000.00
			12/01/18	215,000.00	3.000%			
			12/01/19	220,000.00	3.250%			
			12/01/20	230,000.00	3.500%			
			12/01/21	235,000.00	3.630%			
			12/01/22	245,000.00	3.750%			
			12/01/23	250,000.00	3.750%			
			12/01/24	260,000.00	4.000%			
			12/01/25	270,000.00	4.000%			
			12/01/26	275,000.00	4.000%			
			12/01/27	280,000.00	4.000%			
			12/01/28	290,000.00	4.000%			
			12/01/29	299,000.00	4.000%			
General Improvement Bonds of 2015	07/15/15	1,400,000.00	07/15/17	145,000.00	2.000%	1,400,000.00	130,000.00	1,270,000.00
			07/15/18	155,000.00	2.000%			
			07/15/19	165,000.00	2.000%			
			07/15/20	180,000.00	2.000%			
			07/15/21	195,000.00	2.000%			
			07/15/22	210,000.00	2.000%			
			07/15/23	220,000.00	2.000%			
						<u>\$ 4,874,000.00</u>	<u>\$ 330,000.00</u>	<u>\$ 4,544,000.00</u>
						Ref. C		C
						Current Fund	\$ 240,147.00	
						Open Space Trust Fund	89,853.00	
							<u>\$ 330,000.00</u>	



BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF NJDEP OPEN SPACE ACQUISITION LOAN

Balance December 31, 2015	<u>Ref.</u> C	\$ 147,238.97
Decreased by:		
Loan Payments		<u>28,287.54</u>
Balance December 31, 2016	C	<u>\$ 118,951.43</u>

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
OUTSTANDING DECEMBER 31, 2016

<u>Payment Number</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Loan</u>
					\$ 118,951.43
32	04/09/17	2.00%	\$ 1,189.51	\$ 14,356.28	104,595.15
33	10/09/17	2.00%	1,045.95	14,499.85	90,095.30
34	04/09/18	2.00%	900.95	14,644.84	75,450.46
35	10/09/18	2.00%	754.50	14,791.29	60,659.17
36	04/09/19	2.00%	606.59	14,939.21	45,719.96
37	10/09/19	2.00%	457.20	15,088.60	30,631.36
38	04/09/20	2.00%	306.31	15,239.48	15,391.88
39	10/09/20	2.00%	153.92	15,391.88	
			<u>\$ 5,414.93</u>	<u>\$ 118,951.43</u>	

BOROUGH OF PEAPACK AND GLADSTONE  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2015</u>	<u>2016 Authorizations</u>	<u>Balance Dec. 31, 2016</u>
955/956	Various Improvements: Improvements to Highland Ave. and Trimmer Lane	\$ 159,500.00		\$ 159,500.00
992	Various Improvements: Replacement of Boiler	7,500.00		7,500.00
1021	Milling/Paving of Sections 1 & 3 of Mosle Road		\$ 114,000.00	114,000.00
		<u>\$ 167,000.00</u>	<u>\$ 114,000.00</u>	<u>\$ 281,000.00</u>

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
SEWER UTILITY FUND

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY FUND  
SCHEDULE OF CASH - TREASURER

		Operating	Capital
<u>Ref.</u>			
Balance December 31, 2015	E	\$ 1,180,736.28	\$ 214,403.76
Increased by Receipts:			
Consumer Accounts Receivable		\$ 1,274,437.27	
Interest on Delinquent Rents		4,867.10	
Sewer Overpayments		1,117.41	
Connection Fees Collected		18,600.00	
Interest on Investments		3,075.04	
Due from Sewer Utility Capital Fund:			
Interfunds Returned		3.94	
Due to Sewer Utility Operating Fund:			
Interest on Deposits			\$ 4.41
Capital Improvement Fund:			
2016 Budget Appropriation			200,000.00
Other Sewer Fees		396.48	
		1,302,497.24	200,004.41
		2,483,233.52	414,408.17
Decreased by Disbursements:			
2016 Budget Appropriations		987,174.16	
2015 Appropriation Reserves		96,346.57	
Due to Sewer Utility Operating Fund:			
Interfunds Returned			3.94
		1,083,520.73	3.94
Balance December 31, 2016	E	\$ 1,399,712.79	\$ 414,404.23

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY OPERATING FUND  
SCHEDULE OF CASH - COLLECTOR  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
ANALYSIS OF SEWER CAPITAL CASH

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Receipts</u>		<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
		<u>Budget</u> <u>Appropriation</u>	<u>Miscellaneous</u>	<u>Miscellaneous</u>	
Capital Improvement Fund	\$ 151,486.27	\$ 200,000.00			\$ 351,486.27
Due to/from Sewer Utility Operating Fund	3.94		\$ 4.41	\$ 3.94	4.41
Reserve for Contribution in Aid of Construction	29,359.57				29,359.57
Reserve for Sewer Pump	9,000.00				9,000.00
Fund Balance	19,754.31				19,754.31
Ord					
Date	<u>Improvement Description</u>				
04/08/97	Acquisition of Sewer Department Equipment	839.13			839.13
04/13/99	Acquisition of Sewer Department Equipment	2,131.04			2,131.04
05/10/05	Acquisition of Sewer Department Equipment	1,829.50			1,829.50
		<u>\$ 214,403.76</u>	<u>\$ 200,000.00</u>	<u>\$ 4.41</u>	<u>\$ 414,404.23</u>
			<u>\$ 3.94</u>		

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY OPERATING FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2015	E	\$ 64,586.03
Increased by:		
Sewer Rents Levied		<u>1,275,989.78</u>
		1,340,575.81
Decreased by Collections:		
Sewer Rents:		
Collected in Sewer Utility Operating Fund		\$ 1,274,437.27
Sewer Rent Overpayments Applied		404.32
Cancelled by Resolution		1,255.94
Senior Citizen Discount Applied		<u>159.00</u>
		<u>1,276,256.53</u>
Balance December 31, 2016	E	<u><u>\$ 64,319.28</u></u>



BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance December 31, 2015	E	\$ 8,308,683.17
Increased by:		
Additions by Budget - Appropriation Reserves - Capital Outlay		15,056.54
		<hr/> 8,323,739.71
Less:		
Prior Year Audit Adjustment		5,990.86
		<hr/> 5,990.86
Balance December 31, 2016	E	<u><u>\$ 8,317,748.85</u></u>

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Improvement Description	Ordinance		Balance	Balance
	Date	Amount	Dec. 31, 2015	Dec. 31, 2016
Acquisition of Sewer Department Equipment	04/08/97	\$ 57,000.00	\$ 57,000.00	\$ 57,000.00
Acquisition of Sewer Department Equipment	04/13/99	11,000.00	11,000.00	11,000.00
Acquisition of Sewer Department Equipment	05/10/05	21,600.00	21,600.00	21,600.00
			<u>\$ 89,600.00</u>	<u>\$ 89,600.00</u>
		<u>Ref.</u>	E	E

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY OPERATING FUND  
SCHEDULE OF 2015 APPROPRIATION RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 9,561.42	\$ 9,561.42		\$ 9,561.42
Other Expenses	334,785.20	334,785.20	\$ 81,290.03	253,495.17
Capital Improvement:				
Capital Outlay	30,000.00	30,000.00	15,056.54	14,943.46
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	0.32	0.32		0.32
Social Security System	2,522.52	2,522.52		2,522.52
	<u>\$ 376,869.46</u>	<u>\$ 376,869.46</u>	<u>\$ 96,346.57</u>	<u>\$ 280,522.89</u>
	<u>Ref.</u>			
Encumbered	E \$ 54,003.85			
Unencumbered	E 322,865.61			
	<u>\$ 376,869.46</u>			

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance</u>	<u>Balance</u>
		<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2016</u>
				<u>Funded</u>	<u>Funded</u>
736	Acquisition of Sewer Department Equipment	04/08/97	\$ 57,000.00	\$ 839.13	\$ 839.13
758	Acquisition of Sewer Department Equipment	04/13/99	11,000.00	2,131.04	2,131.04
862	Acquisition of Sewer Department Equipment	05/10/05	21,600.00	1,829.50	1,829.50
				<u>\$ 4,799.67</u>	<u>\$ 4,799.67</u>
			<u>Ref.</u>	E	E

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	E	\$ 151,486.27
Increased by:		
2016 Budget Appropriation		<u>200,000.00</u>
Balance December 31, 2016	E	<u><u>\$ 351,486.27</u></u>

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Ord No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
736	Acquisition of Sewer Department Equipment	\$ 57,000.00	\$ 57,000.00
758	Acquisition of Sewer Department Equipment	11,000.00	11,000.00
862	Acquisition of Sewer Department Equipment	21,600.00	21,600.00
		<u>\$ 89,600.00</u>	<u>\$ 89,600.00</u>
	<u>Ref.</u>	E	E

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2015	E	\$ 8,308,683.17
Increased by:		
Capital Outlay Appropriation Reserves		15,056.54
		<u>8,323,739.71</u>
Decreased by:		
Prior Year Audit Adjustment		5,990.86
		<u>5,990.86</u>
Balance December 31, 2016	E	<u>\$ 8,317,748.85</u>

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE



BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE  
COUNTY OF SOMERSET  
2016  
PUBLIC ASSISTANCE FUND

BOROUGH OF PEAPACK AND GLADSTONE  
PUBLIC ASSISTANCE FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	<u>Fund Total</u>	<u>P.A.T.F. I</u>
Balance December 31, 2015	F	\$ 3,441.59	\$ 3,441.59
Increased by Receipts:			
Interest Earned		<u>1.04</u>	<u>1.04</u>
Balance December 31, 2016	F	<u>\$ 3,442.63</u>	<u>\$ 3,442.63</u>

BOROUGH OF PEAPACK AND GLADSTONE

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2016

BOROUGH OF PEAPACK AND GLADSTONE  
SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Name of Federal Agency or Department/Pass Through Dept.	C.F.D.A. Account No.	Name of Program	State Account #	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures	Provided to Subrecipients
					From	To				
<u>U.S. Department of Transportation</u> (Passed thru NJ Department of Transportation)	20.205	Highway Planning and Construction Cluster: Transportation Trust Fund Authority Act: Municipal Aid: 2014 - Reconstruction and Paving of Branch Road (Phase II)	078-6320-480- ALW-609164	\$ 170,000.00	01/01/14	12/31/16	\$ 42,500.00		\$ 170,000.00	
Total U.S. Department of Transportation				<u>170,000.00</u>			<u>42,500.00</u>		<u>170,000.00</u>	
<u>U.S. Department of Homeland Security</u> (Passed Through NJ Department of Law and Public Safety)	97.036	Disaster Grants - Public Assistance - FEMA: Severe Winter Storm - Jonas Storm	066-1200-100- B80-068460	21,576.44	01/01/16	12/31/16	21,576.44	\$ 21,576.44	\$ 21,576.44	
Total U.S. Department of Homeland Security				<u>21,576.44</u>			<u>21,576.44</u>	<u>21,576.44</u>	<u>21,576.44</u>	
Total Federal Awards				<u>\$ 191,576.44</u>			<u>\$ 64,076.44</u>	<u>\$ 21,576.44</u>	<u>\$ 191,576.44</u>	<u>\$ -0-</u>

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

BOROUGH OF PEAPACK AND GLADSTONE  
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2016

Name of State Agency or Department	Name of Program	Grant I.D. No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures
				From	To			
<u>Department of Law and Public Safety</u>								
	Drunk Driving Enforcement Fund	N/A	\$ 4,118.43	01/01/15	12/31/17		\$ 1,142.96	\$ 2,922.48
	Body Armor Replacement Grant	066-1020-718- 001-090160	1,722.86	01/01/11	12/31/16		646.52	1,722.86
			1,096.45	01/01/12	12/31/17		796.03	796.03
			1,141.59	01/01/16	12/31/17	\$ 1,141.59		
			<u>3,960.90</u>			<u>1,141.59</u>	<u>1,442.55</u>	<u>2,518.89</u>
Total Department of Law and Public Safety			<u>8,079.33</u>			<u>1,141.59</u>	<u>2,585.51</u>	<u>5,441.37</u>
<u>Department of Environmental Protection</u>								
	Clean Communities Grant	042-4900-765- 004-178910	5,579.00	01/01/13	12/31/17		1,172.30	4,001.49
			8,536.90	01/01/16	12/31/17	8,536.90		
			<u>14,115.90</u>			<u>8,536.90</u>	<u>1,172.30</u>	<u>4,001.49</u>
	Recycling Tonnage Grant	042-4910-100- 224-238490	3,752.76	01/01/12	12/31/16		421.66	3,752.76
			4,218.98	01/01/13	12/31/17		113.34	113.34
			3,878.82	01/01/16	12/31/17	3,878.82		
			<u>11,850.56</u>			<u>3,878.82</u>	<u>535.00</u>	<u>3,866.10</u>
Total Department of Environmental Protection			<u>25,966.46</u>			<u>12,415.72</u>	<u>1,707.30</u>	<u>7,867.59</u>
	Total State Awards		<u>\$ 34,045.79</u>			<u>\$ 13,557.31</u>	<u>\$ 4,292.81</u>	<u>\$ 13,308.96</u>

N/A - Not Available

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

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

A. BASIS OF PRESENTATION

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

D. LOANS PAYABLE

At December 31, 2016, the Borough had \$118,951.43 of NJ Department of Environmental Protection Loan Payable outstanding which is recorded in the General Capital Fund.

Currently, the Borough is in the process of repaying the NJ Department of Environmental Protection Loan balance. There were no loan receipts or expenditures in the current year. The project which was financed by the loan is complete.





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

Independent Auditors' Report

The Honorable Mayor and Members  
 of the Borough Council  
 Borough of Peapack and Gladstone  
 Peapack, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* - of the various funds of the Borough of Peapack and Gladstone, in the County of Somerset (the "Borough") as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated June 15, 2017. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

The Honorable Mayor and Members  
of the Borough Council  
Borough of Peapack and Gladstone  
Page 2

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

### **Compliance and Other Matters**

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

### **The Borough's Response to the Finding**

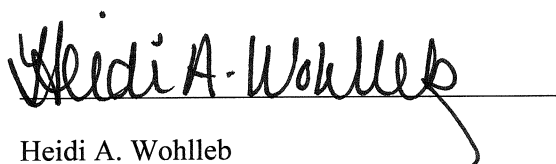
The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
June 15, 2017

NISIVOCCIA LLP

A handwritten signature in black ink that reads "Heidi A. Wohlleb". The signature is written in a cursive style and is positioned above a horizontal line.

Heidi A. Wohlleb  
Certified Public Accountant  
Registered Municipal Accountant No. 481

BOROUGH OF PEAPACK AND GLADSTONE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey OMB's Circular 15-08 for the year ended December 31, 2016 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Circulars.

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

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

Finding 2016-1  
Segregation of Duties

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permit and license fees; and recording of collections. Also, Chief Financial Officer posts revenue and reconciles the bank accounts for various funds and accounts and is also responsible for the collection of taxes. The Deputy Treasurer, is responsible for all aspects of the payroll process, disburses funds and is the Assistant Tax Collector. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. Accordingly, management and the Borough Council should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

BOROUGH OF PEAPACK AND GLADSTONE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2016

There were none.

BOROUGH OF PEAPACK AND GLADSTONE

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

BOROUGH OF PEAPACK AND GLADSTONE  
COMMENTS AND RECOMMENDATIONS

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

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

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

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

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

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

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

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

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

BOROUGH OF PEAPACK AND GLADSTONE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

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

Collection of Interest on Delinquent Taxes 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.

On January 4, 2016, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes as follows:

1. "The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500 of delinquent taxes and 18% per annum on any amount of taxes in excess of \$1,500, in addition a penalty of 6% is to be charged on the amount of delinquency in excess of \$10,000 on December 31, 2016."
2. "A ten-day grace period is provided for each quarterly due date, namely February, May, August and November. Any taxes remaining unpaid after the 10th day will be subject to interest starting with the first day of the quarter."

BE IT FURTHER RESOLVED that

3. "After the expiration of said ten (10) day grace period, said delinquent residential sewer account shall be assessed an interest charge at the rate of eight per cent (8%) per annum, starting with the first day of the quarter."

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

Tax Title Liens

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

Year	Number of Liens
2016	-0-
2015	-0-
2014	-0-

BOROUGH OF PEAPACK AND GLADSTONE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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>
Payment of 2016 and 2017 Taxes	20
Delinquent Taxes	15
Payment of 2016 Sewer Charges	15
Delinquent Sewer Charges	20

Verification notices were mailed to confirm balances as of December 31, 2016. The items that were returned were compared to and are in agreement with the Borough's records. For receivable items not returned, the receivable balance was agreed to the subsequent receipt. For other items not returned, alternative procedures were performed.

New Jersey Administrative Code Accounting Requirements

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

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

The Borough of Peapack and Gladstone has complied by implementing the three directives.

Joint Municipal Court

The report of the Joint Municipal Court has been forwarded to the Division of Local Government Services and the Borough's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2016.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Municipal Treasurer:				
Fines and Costs	\$ 7,703.86	\$ 83,726.06	\$ 84,027.82	\$ 7,402.10
P.O.A.A. Fines	3.00	9.00	9.00	3.00
Public Defender		334.00	334.00	
Interest:				
Regular Account	0.43	4.68	4.44	0.67
Bail Account	0.06	0.59	0.56	0.09
State Treasurer	5,299.58	50,515.94	53,273.62	2,541.90
County Treasurer	4,068.50	41,267.50	42,003.00	3,333.00
Conditional Discharge Fee		600.00	587.00	13.00
Fish and Game		20.00	20.00	
Cash Bail	578.00	14,793.00	11,071.00	4,300.00
	<u>\$ 17,653.43</u>	<u>\$ 191,270.77</u>	<u>\$ 191,330.44</u>	<u>\$ 17,593.76</u>



BOROUGH OF PEAPACK AND GLADSTONE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Joint Municipal Court (Cont'd)

During our testing, we selected a number of tickets that were assigned but not issued per the tickets assigned but not issued report. The Municipal Court was not able to provide us with copies of these tickets for audit review.

Recommendation

It is recommended that every effort be made to ensure that tickets on the tickets on the assigned but not issued report are adequately controlled and accounted for.

Management's Response

The Court personnel will ensure that tickets on the tickets on the assigned but not issued report are adequately accounted for and controlled.

Segregation of Duties

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permit and license fees; and recording of collections. Also, Chief Financial Officer posts revenue and reconciles the bank accounts for various funds and accounts and is also responsible for the collection of taxes. The Deputy Treasurer, is responsible for all aspects of the payroll process, disburses funds and is the Assistant Tax Collector. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. Accordingly, management and the Borough Council should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Tax Collector's Records

During the course of the audit, it was noted that a register of foreclosed properties is not maintained.

Recommendation

It is recommended that a foreclosed property register be maintained.

Management's Response

The Borough will ensure that a foreclosed property register is maintained.

Animal Control Records

During our review of the Animal Control Fund records we noted the following:

- 1.) The dog license fees being charged were not in accordance with the most current ordinance. Furthermore, the license applications were not updated to reflect the new fees.
- 2.) Dog license fees were not always deposited within 48 hours of collection as required.

BOROUGH OF PEAPACK AND GLADSTONE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Animal Control Records (Cont'd)

Recommendation

It is recommended that the Borough revise the dog license applications to be in accordance with the adopted ordinance regarding approved fees and that fees be collected accordingly and that dog license fee collections be deposited within 48 hours as per state statute.

Management's Response

The Borough will ensure that the dog license applications are revised to be in accordance with the adopted ordinance regarding approved fees and that fees be collected accordingly and that dog license fee collections are deposited within 48 hours as per state statute.

Treasurer's Records

Our audit procedures revealed the following:

- 1.) A payroll wage garnishment was discontinued for a certain Borough employee for one pay period and was never re-initiated for the remainder of the 2016 year. The Borough became aware of the error and they contacted the necessary agency and reinstated the garnishment.
- 2.) Quarterly pension reports are being prepared by the outside payroll service company and not being subsequently reviewed by the Borough Finance Department.
- 3.) Employee unemployment contributions had not been remitted to the Other Trust Fund Reserve for Unemployment Compensation Insurance for the last several years as of December 31, 2016. As the Borough has already remitted these contributions as of the date of this report, a formal recommendation is not judged to be warranted.

Recommendation

It is recommended that payroll registers and reports be reviewed in order to ensure accuracy and completeness.

Management's Response

The Borough will ensure that payroll registers are reviewed in order to ensure accuracy and completeness. Additionally, the Borough will ensure that quarterly pension reports are reviewed.

Police Department Records

A formal cashbook is not maintained by the Police Department.

Recommendation

It is recommended that a formal cashbook is maintained by the Police Department for all collections.

Management's Response

Management will ensure that the police outside office maintain a monthly cash receipt collection report and that it is reconciled with the Treasurer's records on a monthly basis.

BOROUGH OF PEAPACK AND GLADSTONE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Management Suggestions

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Borough will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the calendar year ending December 31, 2018 and thereafter. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

Cyber Security

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

Improvement Authorizations

There are certain older improvement authorization balances in the General Capital Fund and Sewer Utility Capital Fund. It is suggested that these older improvement authorization balances be reviewed for possible cancellation.

Confirmation of Payroll Taxes Paid by Payroll Service Provider

Consideration be given to confirming with the state and federal government that the Borough's payroll taxes were properly remitted to these government agencies on a regular basis.

Federal and State Grant Reserves

There are various older appropriated reserve balances in the Federal and State Grant Fund. The balances should be reviewed for possible cancelation.

Purchase Order Process

During the review of the purchase orders processed during the year we noted that since the finance duties are being performed by a small Finance Department staff, it is not always possible for purchase orders to be physically encumbered in the accounting software prior to orders being placed for certain goods and services. Consideration should be given to maintaining an approval log for these purchases or other similar documentation.

Status of Prior Year Recommendations

There were no prior year recommendations.

BOROUGH OF PEAPACK AND GLADSTONE  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. A foreclosed property register is maintained.
3. The Borough revise the dog license applications to be in accordance with the adopted ordinance regarding approved fees and that fees be collected accordingly and that dog license fee collections be deposited within 48 hours as per state statute.
4. Payroll registers and reports be reviewed in order to ensure accuracy and completeness.
5. Every effort be made to ensure that tickets on the tickets on the assigned but not issued report are adequately controlled and accounted for.
6. A formal cashbook be maintained by the Police Department for all collections.

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