

*BOROUGH OF
PEAPACK AND GLADSTONE*

COUNTY OF SOMERSET

REPORT OF AUDIT

2017

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF PEAPACK AND GLADSTONE

COUNTY OF SOMERSET

REPORT OF AUDIT

2017

BOROUGH OF PEAPACK AND GLADSTONE
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PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017



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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 years ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Honorable Mayor and Members
of the Borough Council
Borough of 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, 2017 and 2016, or the changes in financial position or where applicable, cash flows thereof for the years 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, 2017 and 2016, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data schedules 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.

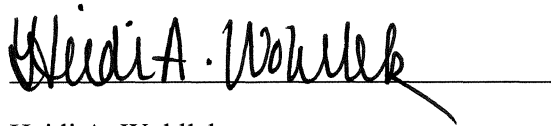
The Honorable Mayor and Members
of the Borough Council
Borough of Peapack and Gladstone
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2018 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
May 11, 2018

NISIVOCCIA LLP

A handwritten signature in black ink, reading "Heidi A. Wohlleb", is written over a horizontal line. The signature is cursive and includes a long, sweeping tail that extends to the right.

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

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

	<u>Ref.</u>	<u>December 31,</u>	
<u>ASSETS</u>		<u>2017</u>	<u>2016</u>
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 6,449,797.32	\$ 4,283,386.94
Change Fund		<u>150.00</u>	<u>150.00</u>
		<u>6,449,947.32</u>	<u>4,283,536.94</u>
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		<u>2,456.22</u>	<u>2,706.22</u>
		<u>6,452,403.54</u>	<u>4,286,243.16</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	183,193.95	157,213.22
Property Acquired for Taxes at Assessed Valuation		139,900.00	139,900.00
Revenue Accounts Receivable	A-9	7,907.88	7,402.86
Due from Animal Control Fund	B	4,063.73	2,373.88
Due from General Capital Fund	C		2.62
Due from Net Payroll and Payroll Agency Accounts		<u>10,001.06</u>	<u>10,000.99</u>
Total Receivables and Other Assets With Full Reserves		<u>345,066.62</u>	<u>316,893.57</u>
Total Regular Fund		<u>6,797,470.16</u>	<u>4,603,136.73</u>
Federal and State Grant Fund:			
Grants Receivable	A-13	44,065.00	42,325.00
Due from Current Fund	A	<u>111,996.38</u>	<u>104,447.40</u>
Total Federal and State Grant Fund		<u>156,061.38</u>	<u>146,772.40</u>
<u>TOTAL ASSETS</u>		<u>\$ 6,953,531.54</u>	<u>\$ 4,749,909.13</u>

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

	Ref.	December 31,	
		2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 318,550.19	\$ 317,158.42
Unencumbered	A-3;A-11	587,716.36	432,071.95
		<u>906,266.55</u>	<u>749,230.37</u>
Prepaid Taxes		1,745,368.78	134,507.91
Tax Overpayments		23,380.81	13,202.85
Due to Insurance Company for Claim Restitution		2,402.00	
Regional School Taxes Payable	A-12	1,263.14	1,263.14
Due to State of New Jersey:			
Marriage License Fees		125.00	25.00
Due to Federal and State Grant Fund	A	111,996.38	104,447.40
Due to Other Trust Funds	B	633,091.87	471,758.37
Due to General Capital Fund	C	131,241.50	
Reserve for:			
Master Plan		5,087.16	5,552.16
Police Donations		3,575.00	3,525.00
		<u>3,563,798.19</u>	<u>1,483,512.20</u>
Reserve for Receivables and Other Assets	A	345,066.62	316,893.57
Fund Balance	A-1	<u>2,888,605.35</u>	<u>2,802,730.96</u>
 Total Regular Fund		 <u>6,797,470.16</u>	 <u>4,603,136.73</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-14	15,294.55	13,557.31
Appropriated Reserves	A-15	140,766.83	133,215.09
		<u>156,061.38</u>	<u>146,772.40</u>
Total Federal and State Grant Fund		<u>156,061.38</u>	<u>146,772.40</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE		 <u>\$ 6,953,531.54</u>	 <u>\$ 4,749,909.13</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

	Ref.	Year Ended December 31,	
		2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,600,000.00	\$ 1,950,000.00
Miscellaneous Revenue Anticipated		726,298.37	560,630.74
Receipts from:			
Delinquent Taxes		187,448.89	308,504.17
Current Taxes		13,700,622.98	13,664,386.94
Nonbudget Revenue		149,475.92	321,936.50
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		445,159.79	302,040.18
Interfunds Returned		2,377.49	35,480.90
Cancellation of:			
Reserve for Master Plan			51,000.00
Tax Overpayments		10.01	
Total Income		<u>16,811,393.45</u>	<u>17,193,979.43</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		5,317,235.35	5,138,301.77
County Taxes		2,953,494.32	2,935,378.47
Open Space Taxes		219,651.76	217,758.13
Regional School District Taxes		6,630,839.00	6,636,957.00
Cancellation of Deferred Charge- Special Emergency Appropriation			51,000.00
Return of Prior Year Revenue		233.84	
Interfunds Advanced		4,064.79	12,377.49
Total Expenditures		<u>15,125,519.06</u>	<u>14,991,772.86</u>
Statutory Excess to Fund Balance		1,685,874.39	2,202,206.57
<u>Fund Balance</u>			
Balance January 1		<u>2,802,730.96</u>	<u>2,550,524.39</u>
		4,488,605.35	4,752,730.96
Decreased by:			
Utilized as Anticipated Revenue		<u>1,600,000.00</u>	<u>1,950,000.00</u>
Balance December 31	A	<u>\$ 2,888,605.35</u>	<u>\$ 2,802,730.96</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, 2017

	Budget	Added by N.J.S.A 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,600,000.00		\$ 1,600,000.00	
Miscellaneous Revenue:				
Alcoholic Beverage Licenses	12,563.00		12,563.00	
Fees and Permits	45,000.00		70,706.23	\$ 25,706.23
Municipal Court - Fines and Costs	70,000.00		117,123.51	47,123.51
Interest and costs on Taxes	25,000.00		45,173.32	20,173.32
Energy Receipts Taxes	251,059.00		251,059.00	
Uniform Construction Code Fees	95,000.00		181,291.00	86,291.00
Recycling Tonnage Grant	3,878.82		3,878.82	
Reserve for Clean Communities Program	8,536.90		8,536.90	
Garden Club Somerset Hills		\$ 1,000.00	1,000.00	
Body Armor Replacement Fund	1,141.59		1,141.59	
Drive Sober or Get Pulled Over Grant		6,000.00	6,000.00	
Click-It or Ticket		1,815.00	1,815.00	
Sustainable Jersey Small Grants Program		2,000.00	2,000.00	
Somerset County DWI Grant	1,320.00		9,540.00	
Donations - Police Equipment	3,525.00		3,525.00	
Distracted Driving	4,125.00		10,945.00	
	<u>521,149.31</u>	<u>25,855.00</u>	<u>726,298.37</u>	<u>179,294.06</u>
Receipts from Delinquent Taxes	100,000.00		187,448.89	87,448.89
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	4,070,831.70		4,879,986.17	809,154.47
Budget Totals	6,291,981.01	25,855.00	7,393,733.43	1,075,897.42
Nonbudget Revenue			149,475.92	149,475.92
	<u>\$ 6,291,981.01</u>	<u>\$ 25,855.00</u>	<u>\$ 7,543,209.35</u>	<u>\$ 1,225,373.34</u>

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2017
(Continued)

Allocation of Current Tax Collections:		
Revenue from Collection of Current Taxes		\$ 13,700,622.98
Allocated to:		
Regional School District	\$ 6,630,839.00	
County of Somerset	2,953,494.32	
Municipal Open Space Taxes	<u>219,651.76</u>	
		<u>9,803,985.08</u>
Balance for Support of Municipal Budget		<u>3,896,637.90</u>
Add: Appropriation "Reserve for Uncollected Taxes"		<u>983,348.27</u>
Realized for Support of Municipal Budget		<u><u>\$ 4,879,986.17</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections		<u>\$ 187,448.89</u>
Total Receipts from Delinquent Taxes		<u><u>\$ 187,448.89</u></u>
Analysis of Fees and Permits:		
Municipal Clerk		\$ 47,921.35
Board of Health		9,675.00
Police		475.88
Assessor		90.00
Department of Public Works		985.00
Uniform Fire Safety Fees		4,299.00
Zoning Officer		<u>7,260.00</u>
		<u><u>\$ 70,706.23</u></u>
Analysis of Nonbudget Revenue:		
Interest on Investments - Due from Other Funds/Accounts:		
Due from General Capital Fund	\$ 8.50	
Due from Payroll Agency Account	0.49	
Due from Net Payroll Account	0.57	
Due from Animal Control Trust Fund	0.33	
Due from Other Trust Funds	<u>17.78</u>	
Total Interest on Investments - Due from Other Funds/Accounts		\$ 27.67

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2017
(Continued)

Analysis of Nonbudget Revenue: (Cont'd)

Treasurer:

Interest on Investments		
Collected by the Treasurer	\$	15,902.78
Administrative Fee - Veterans and Senior Citizens Deductions		270.00
Somerset County Library Supplemental Funding		3,483.00
In Lieu of Taxes		9,638.12
DMV Inspection Fee		9,305.00
Property Rentals		41,420.95
Fire LEA Rebates		6,419.02
Litigation Insurance Reimbursement		6,373.83
Police Outside Service Administrative Fee		41,761.33
Other Miscellaneous		<u>6,404.02</u>
	\$	140,978.05

Tax Collector:

Miscellaneous Revenue Not Anticipated	102.13
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Due from Other Trust Funds:

Police Outside Service Administrative Fees	4,304.67
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Due from Animal Control Fund:

Statutory Excess in Reserve for Animal Control Expenditures	<u>4,063.40</u>
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\$ 149,475.92

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

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 59,375.00	\$ 44,375.00	\$ 41,324.32	\$ 3,050.68	
Other Expenses	64,625.00	85,300.00	64,419.79	20,880.21	
Mayor and Council:					
Salaries & Wages	15,500.00	15,500.00	15,500.00		
Other Expenses	40,700.00	40,700.00	33,843.24	6,856.76	
Municipal Clerk:					
Salaries & Wages	94,651.00	78,651.00	67,840.59	10,810.41	
Other Expenses	24,100.00	24,100.00	20,635.84	3,464.16	
Financial Administration:					
Salaries & Wages	81,898.00	81,898.00	80,257.89	1,640.11	
Other Expenses	12,480.00	12,480.00	11,074.88	1,405.12	
Annual Audit	18,500.00	18,500.00	18,500.00		
Computer Information Technology					
Salaries & Wages	7,874.00	7,874.00	6,248.87	1,625.13	
Other Expenses	30,000.00	30,000.00	29,527.65	472.35	
Revenue Administration (Tax Collection):					
Salaries & Wages	48,618.00	52,418.00	52,198.34	219.66	
Other Expenses	5,750.00	5,750.00	3,903.25	1,846.75	
Tax Assessment Administration:					
Salaries & Wages	37,424.00	37,424.00	29,720.87	7,703.13	
Other Expenses	10,200.00	10,200.00	2,615.62	7,584.38	
Legal Services and Costs:					
Other Expenses - Fees	130,000.00	146,000.00	92,920.04	53,079.96	
Engineering Services and Costs:					
Other Expenses	35,000.00	35,000.00	14,239.43	20,760.57	

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT (continued):					
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Land Use Board:					
Salaries & Wages	\$ 13,088.00	\$ 13,088.00	\$ 6,098.58	\$ 6,989.42	
Other Expenses	31,700.00	31,700.00	31,080.89	619.11	
Zoning Cost:					
Salaries & Wages	15,969.00	15,969.00	15,454.06	514.94	
Other Expenses	200.00	8,200.00	5,440.00	2,760.00	
Insurance (P.L. 2003, C.92):					
Group Insurance Plans for Employees	648,440.00	631,320.00	533,148.19	98,171.81	
General Liability Insurance	122,000.00	122,000.00	113,540.30	8,459.70	
Workers' Compensation Insurance	30,839.00	30,839.00	30,839.00		
Health Benefit Waiver	6,500.00	6,500.00	3,683.09	2,816.91	
Unemployment Insurance Fund	2,000.00	2,000.00	2,000.00		
Cultural Heritage					
Other Expenses	1,750.00	1,750.00	1,500.00	250.00	
PUBLIC SAFETY:					
Police:					
Salaries & Wages	881,124.00	881,124.00	858,308.52	22,815.48	
Other Expenses	73,265.00	73,265.00	56,145.43	17,119.57	
Emergency Management Services:					
Salaries & Wages	1,600.00	1,600.00	1,587.81	12.19	
Other Expenses	8,750.00	8,750.00	2,373.24	6,376.76	
Aid to Volunteer Ambulance Company:					
Salaries & Wages	10,500.00	10,500.00	7,500.00	3,000.00	
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, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PUBLIC SAFETY:					
Municipal Court:					
Salaries & Wages	\$ 57,500.00	\$ 57,500.00	\$ 55,126.47	\$ 2,373.53	
Other Expenses	2,000.00	2,000.00		2,000.00	
Fire:					
Salaries & Wages	8,100.00	8,100.00	7,600.00	500.00	
Other Expenses	89,550.00	89,550.00	80,563.70	8,986.30	
Fire Safety Official:					
Salaries & Wages	14,631.00	14,631.00	13,706.99	924.01	
Other Expenses	2,835.00	2,835.00	1,655.56	1,179.44	
Fire Hydrant Services	88,000.00	89,000.00	88,043.76	956.24	
PUBLIC WORKS:					
Streets and Road Repairs and Maintenance:					
Salaries & Wages	211,404.00	211,404.00	162,343.86	49,060.14	
Other Expenses	122,900.00	122,900.00	98,034.18	24,865.82	
Shade Tree Commission:					
Other Expenses	3,100.00	3,100.00	3,100.00		
Garbage and Trash Removal:					
Salaries & Wages	5,280.00	5,280.00	3,025.60	2,254.40	
Other Expenses	89,200.00	89,200.00	81,672.00	7,528.00	
Public Building and Grounds:					
Salaries & Wages	197,359.00	197,359.00	158,851.60	38,507.40	
Other Expenses	128,950.00	128,950.00	86,845.48	42,104.52	
Vehicle Maintenance:					
Other Expenses	40,000.00	30,000.00	20,598.18	9,401.82	

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries & Wages	\$ 15,794.00	\$ 15,794.00	\$ 8,567.81	\$ 7,226.19	
Other Expenses	27,521.00	28,121.00	28,121.00		
Environmental Commission:					
Other Expenses	8,125.00	8,125.00	8,125.00		
Animal Control:					
Other Expenses	6,215.00	6,340.00	6,338.44	1.56	
PARK AND RECREATION:					
Recreation Services and Programs:					
Salaries & Wages	34,269.00	34,269.00	34,268.92	0.08	
Other Expenses	5,000.00	5,000.00	4,997.88	2.12	
Senior Citizen Center Transportation:					
Other Expenses	10,000.00	10,800.00	10,645.00	155.00	
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation:					
Salaries & Wages	10,000.00	10,000.00	10,000.00		
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code:					
Construction Official:					
Salaries & Wages	70,853.00	70,853.00	70,824.27	28.73	
Other Expenses	6,445.00	6,445.00	3,350.00	3,095.00	
UNCLASSIFIED					
Electricity	40,000.00	40,000.00	33,300.01	6,699.99	
Street Lighting	30,000.00	30,000.00	21,044.47	8,955.53	
Telephone	30,000.00	30,000.00	19,359.01	10,640.99	

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(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	\$ 4,811.37	\$ 388.63	
Gasoline	55,000.00	55,000.00	33,662.82	21,337.18	
Natural Gas	35,000.00	35,000.00	29,949.07	5,050.93	
Landfill/Solid Waste Disposal Costs	76,125.00	76,125.00	59,916.20	16,208.80	
Total Operations Within "CAPS"	4,150,776.00	4,143,656.00	3,561,918.38	581,737.62	
Contingent	2,000.00	2,000.00		2,000.00	
Total Operations including Contingent within "CAPS"	4,152,776.00	4,145,656.00	3,561,918.38	583,737.62	
Detail:					
Salaries & Wages	1,892,811.00	1,865,611.00	1,706,355.37	159,255.63	
Other Expenses	2,259,965.00	2,280,045.00	1,855,563.01	424,481.99	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS": Statutory Expenditures: Contribution to: Public Employees' Retirement System Police and Firemen's Retirement System of New Jersey Social Security System (O.A.S.I.)	88,470.00 170,370.63 141,000.00	88,470.00 170,370.63 141,000.00	88,355.24 170,370.63 139,896.33	114.76 1,103.67	

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":	\$ 2,000.00	\$ 2,000.00	\$ 572.26	\$ 1,427.74	
Statutory Expenditures:					
Contribution to:					
Defined Contribution Retirement Fund	401,840.63	401,840.63	399,194.46	2,646.17	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	4,554,616.63	4,547,496.63	3,961,112.84	586,383.79	
Total General Appropriations for Municipal Purposes Within "CAPS"					
Operations Excluded from "CAPS"	1,350.00	1,350.00	1,179.48	170.52	
Aid to Library (N.J.S.A. 40:54-35)	4,500.00	4,500.00	3,337.95	1,162.05	
Recycling Tax					
Length of Service Awards Program (N.J.S.A. 40A:4-453)	36,000.00	36,000.00	36,000.00		
Fire Department	17,000.00	17,000.00	17,000.00		
First Aid Squad					
State and Federal Programs Offset by Revenues:	3,525.00	3,525.00	3,525.00		
Donation - Police Equipment		1,000.00	1,000.00		
Garden Club Somerset Hills (N.J.S.A. 40A:4-87 + \$1,000.00)		6,000.00	6,000.00		
Drive Sober or Get Pulled Over Grant (N.J.S.A. 40A:4-87 + \$6,000.00)		1,815.00	1,815.00		
Click It or Ticket (N.J.S.A. 40A:4-87 + \$1,815.00)		8,536.90	8,536.90		
Clean Communities	3,878.82	3,878.82	3,878.82		
Recycling Tonnage Grant		2,000.00	2,000.00		
Sustainable Jersey Small Grants Program (N.J.S.A. 40A:4-87 + \$2,000.00)		1,141.59	1,141.59		
Body Armor Replacement Fund	1,320.00	9,540.00	9,540.00		
Somerset County DWI Grant (N.J.S.A. 40A:4-87 + \$8,220.00)	4,125.00	10,945.00	10,945.00		
Distracted Driving (N.J.S.A. 40A:4-87 + \$6,820.00)					

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
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"	82,104.11	107,959.11	106,626.54	\$ 1,332.57	
Detail:					
Other Expenses	82,104.11	107,959.11	106,626.54	1,332.57	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	300,000.00	300,000.00	300,000.00		
Total Capital Improvements - Excluded from "CAPS"	300,000.00	300,000.00	300,000.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	257,901.00	265,021.00	265,016.00		\$ 5.00
Payment of Bond Anticipation Notes and Capital Notes	19,400.00	19,400.00	19,400.00		
Interest on Notes	846.00	846.00	845.84		0.16
Interest on Bonds	93,765.00	93,765.00	76,517.77		17,247.23
Total Municipal Debt Service - Excluded from "CAPS"	371,912.00	379,032.00	361,779.61		17,252.39

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations - Excluded from "CAPS"	\$ 754,016.11	\$ 786,991.11	\$ 768,406.15	\$ 1,332.57	\$ 17,252.39
Subtotal General Appropriations	5,308,632.74	5,334,487.74	4,729,518.99	587,716.36	17,252.39
Reserve for Uncollected Taxes	983,348.27	983,348.27	983,348.27		
Total General Appropriations	\$ 6,291,981.01	\$ 6,317,836.01	\$ 5,712,867.26	\$ 587,716.36	\$ 17,252.39

Ref.

A

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

		Analysis of	
	Ref.	Budget After Modification	Paid or Charged
Adopted Budget		\$ 6,291,981.01	
Added by N.J.S.A. 40A:4-87		25,855.00	
		\$ 6,317,836.01	
Reserve for Uncollected Taxes			\$ 983,348.27
Reserve for Encumbrances	A		318,550.19
Transfer to Appropriated Grant Reserves:			
Federal and State Grants			48,382.31
Local Match			726.80
Cash Disbursed			4,449,824.36
			5,800,831.93
Less: Appropriation Refunds			87,964.67
			\$ 5,712,867.26

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

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
TRUST FUNDS

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

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 11,098.73	\$ 10,538.88
Due from State of New Jersey		94.60	94.60
		<u>11,193.33</u>	<u>10,633.48</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,879,072.84	2,509,928.59
Due from Current Fund	A	633,091.87	471,758.37
		<u>3,512,164.71</u>	<u>2,981,686.96</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,523,358.04</u>	<u>\$ 2,992,320.44</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 4,063.73	\$ 2,373.88
Reserve for Animal Control Expenditures	B-6	7,129.60	8,259.60
		<u>11,193.33</u>	<u>10,633.48</u>
Other Trust Funds:			
Due to State of New Jersey - DCA Fees		1,043.00	4,968.00
Reserve for Open Space		1,978,231.31	1,413,904.24
Reserve for Housing Trust		267,259.79	250,860.22
Reserve for Unemployment Compensation Insurance		9,646.68	10,472.34
Reserve for Council on Affordable Housing		449,844.14	449,619.28
Reserve for Developers Escrow		242,230.74	263,230.08
Reserve for Recreation Commission		125,370.70	114,608.13
Reserve for Forfeited Assets		2,664.28	324.42
Reserve for Fire Prevention		1,343.05	1,343.05
Reserve for Flexible Spending		1,417.26	1,217.26
Reserve for Escrow Deposits		15,551.22	15,398.62
Reserve for Parking Offense Adjudication Act		378.00	336.00
Reserve for Accumulated Leave		188,629.72	244,250.50
Reserve for Recycling		1,107.85	997.85
Reserve for Tax Sale Premium		145,800.00	149,300.00
Reserve for Police Outside Services		22,115.75	23,190.75
Reserve for Historic Preservation Commission		845.00	580.00
Reserve for Storm Recovery		37,086.22	37,086.22
Reserve for Friends of the Library		21,600.00	
		<u>3,512,164.71</u>	<u>2,981,686.96</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,523,358.04</u>	<u>\$ 2,992,320.44</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, 2017

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, 2017

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 531,203.36	\$ 463,155.90
Due from State of New Jersey:			
Department of Transportation Grant		296,750.00	428,000.00
Due from Current Fund	A	131,241.50	
Deferred Charges to Future Taxation:			
Funded		4,497,095.30	4,662,951.43
Unfunded	C-4	577,200.00	358,600.00
<u>TOTAL ASSETS</u>		<u>\$ 6,033,490.16</u>	<u>\$ 5,912,707.33</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 4,407,000.00	\$ 4,544,000.00
NJDEP Open Space Acquisition Loan	C-9	90,095.30	118,951.43
Bond Anticipation Notes Payable	C-7	317,000.00	77,600.00
Improvement Authorizations:			
Funded	C-5	704,341.43	707,618.18
Unfunded	C-5	257,561.95	282,043.62
Due to Current Fund	A		2.62
Capital Improvement Fund	C-6	245,969.57	170,969.57
Fund Balance	C-1	11,521.91	11,521.91
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 6,033,490.16</u>	<u>\$ 5,912,707.33</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, 2016	C	\$ 11,521.91
Balance December 31, 2017	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
2017
WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
SEWER UTILITY FUND

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

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 1,341,954.05	\$ 1,399,712.79
Due from Sewer Utility Capital Fund	E	9.65	4.41
		<u>1,341,963.70</u>	<u>1,399,717.20</u>
Receivable with Full Reserve:			
Consumer Accounts Receivable	E-6	<u>61,765.53</u>	<u>64,319.28</u>
Total Operating Fund		<u>1,403,729.23</u>	<u>1,464,036.48</u>
Capital Fund:			
Cash and Cash Equivalents	E-4	664,409.47	414,404.23
Fixed Capital	E-7	8,317,748.85	8,317,748.85
Fixed Capital Authorized and Uncompleted	E-8	<u>89,600.00</u>	<u>89,600.00</u>
Total Capital Fund		<u>9,071,758.32</u>	<u>8,821,753.08</u>
<u>TOTAL ASSETS</u>		<u>\$ 10,475,487.55</u>	<u>\$ 10,285,789.56</u>

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

	Ref.	December 31,	
		2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	E-3;E-9	\$ 103,115.86	\$ 63,388.39
Unencumbered	E-3;E-9	78,860.00	298,759.45
		<u>181,975.86</u>	<u>362,147.84</u>
Sewer Rent Overpayments		1,563.98	1,117.41
		<u>183,539.84</u>	<u>363,265.25</u>
Reserve for Receivables	E	61,765.53	64,319.28
Fund Balance	E-1	1,158,423.86	1,036,451.95
		<u>1,403,729.23</u>	<u>1,464,036.48</u>
Total Operating Fund			
Capital Fund:			
Improvement Authorizations:			
Funded	E-10	4,799.67	4,799.67
Due to Sewer Utility Operating Fund	E	9.65	4.41
Capital Improvement Fund	E-11	551,486.27	351,486.27
Deferred Reserve for Amortization	E-12	89,600.00	89,600.00
Reserve for Amortization	E-13	8,317,748.85	8,317,748.85
Reserve for Contribution in Aid in Construction		29,359.57	29,359.57
Reserve for Sewer Pump		9,000.00	9,000.00
Reserve for Capital Improvements – Shared Services		50,000.00	
Fund Balance	E-1A	19,754.31	19,754.31
		<u>9,071,758.32</u>	<u>8,821,753.08</u>
Total Capital Fund			
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 10,475,487.55</u>	<u>\$ 10,285,789.56</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.	<u>Year Ended December 31,</u>	
		<u>2017</u>	<u>2016</u>
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated		\$ 225,209.00	\$ 200,000.00
Rents		1,203,976.07	1,274,841.59
Miscellaneous Revenue Not Anticipated		144,340.90	26,943.03
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		<u>240,598.45</u>	<u>280,522.89</u>
 Total Income		 <u>1,814,124.42</u>	 <u>1,782,307.51</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,139,593.51	1,062,322.00
Capital Improvements		250,000.00	230,000.00
Deferred Charges and Statutory Expenditures		61,500.00	57,000.00
Refund of Prior Year Revenue		<u>15,850.00</u>	
 Total Expenditures		 <u>1,466,943.51</u>	 <u>1,349,322.00</u>
 Excess in Revenue		 347,180.91	 432,985.51
<u>Fund Balance</u>			
Balance January 1		<u>1,036,451.95</u>	<u>803,466.44</u>
		1,383,632.86	1,236,451.95
Decreased by:			
Utilized as Anticipated Revenue - Current Fund		<u>225,209.00</u>	<u>200,000.00</u>
 Balance December 31	E	 <u>\$ 1,158,423.86</u>	 <u>\$ 1,036,451.95</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, 2016	E	\$	19,754.31
Balance December 31, 2017	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, 2017

	Anticipated	Realized	Excess or Deficit *
Surplus Anticipated	\$ 225,209.00	\$ 225,209.00	
Rents	1,225,884.51	1,203,976.07	\$ 21,908.44 *
	1,451,093.51	1,429,185.07	21,908.44
Miscellaneous Revenue Not Anticipated		144,340.90	144,340.90
	\$ 1,451,093.51	\$ 1,573,525.97	\$ 122,432.46
 Analysis of Sewer Rents Revenue:			
Collected in Sewer Utility Operating Fund		\$ 1,202,858.66	
Overpayments Applied		1,117.41	
		\$ 1,203,976.07	
 Analysis of Miscellaneous Revenue Not Anticipated:			
Treasurer:			
Interest on Deposits	\$ 5,730.61		
Other Sewer Fees	38,247.24		
Interest on Delinquent Rents	5,758.33		
Shared Services:			
Bedminister	68,318.54		
Far Hills	23,979.23		
Other	2,297.30		
		\$ 144,331.25	
 Interest on Investments -			
Due from Sewer Utility Capital Fund		9.65	
		\$ 144,340.90	

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, 2017

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 194,993.51	\$ 194,993.51	\$ 159,476.19	\$ 35,517.32
Other Expenses	944,600.00	944,600.00	908,049.81	36,550.19
Capital Improvements:				
Capital Improvement Fund	200,000.00	200,000.00	200,000.00	
Reserve for Capital Improvements - Shared Services	50,000.00	50,000.00	50,000.00	
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	43,000.00	43,000.00	42,737.68	262.32
Social Security System (O.A.S.I.)	18,500.00	18,500.00	11,969.83	6,530.17
	<u>\$ 1,451,093.51</u>	<u>\$ 1,451,093.51</u>	<u>\$ 1,372,233.51</u>	<u>\$ 78,860.00</u>
	<u>Ref.</u>			<u>E</u>
<u>Analysis of Paid or Charged</u>				
Cash Disbursed			\$ 1,269,264.92	
Encumbered	E		103,115.86	
Less: Refunds			<u>(147.27)</u>	
			<u>\$ 1,372,233.51</u>	

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

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
PUBLIC ASSISTANCE FUND

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

	Ref.	December 31,	
		<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	F-1	\$ 3,443.66	\$ 3,442.63
<u>TOTAL ASSETS</u>		<u>\$ 3,443.66</u>	<u>\$ 3,442.63</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Public Assistance		\$ 3,443.66	\$ 3,442.63
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,443.66</u>	<u>\$ 3,442.63</u>

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

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
BOND AND INTEREST FUND

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
GENERAL FIXED ASSETS ACCOUNT GROUP

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

<u>ASSETS</u>	December 31,	
	2017	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	4,040,075.57	4,028,680.00
<u>TOTAL ASSETS</u>	<u>\$ 11,018,165.57</u>	<u>\$ 11,006,770.00</u>
<u>RESERVES</u>		
Investment in General Fixed Assets	\$ 11,018,165.57	\$ 11,006,770.00
<u>TOTAL RESERVES</u>	<u>\$ 11,018,165.57</u>	<u>\$ 11,006,770.00</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, 2017

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, 2017
(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 in Note 1E.

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, 2017
(Continued)

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

C. Basis of Accounting (Cont'd)

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

The cash basis of accounting is followed in the Trust 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.

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.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

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

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

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

Inventories of Supplies - The cost of inventories of supplies 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 1st 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, 2017
(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

	December 31,		
	2017	2016	2015
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 4,814,095.30	\$ 4,740,551.43	\$ 5,118,238.97
Net Debt Issued	<u>4,814,095.30</u>	<u>4,740,551.43</u>	<u>5,118,238.97</u>
 <u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	260,200.00	281,000.00	167,000.00
Total Authorized but not Issued	<u>260,200.00</u>	<u>281,000.00</u>	<u>167,000.00</u>
 Net Bonds, Notes and Loans Issued and Authorized but not Issued	 <u>\$ 5,074,295.30</u>	 <u>\$ 5,021,551.43</u>	 <u>\$ 5,285,238.97</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 0.690%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 6,066,048.09	\$ 6,066,048.09	
General Debt	<u>5,074,295.30</u>		<u>\$ 5,074,295.30</u>
	<u>\$ 11,140,343.39</u>	<u>\$ 6,066,048.09</u>	<u>\$ 5,074,295.30</u>

Net Debt \$5,074,295.30 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$735,151,552.00 = 0.690%.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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	\$ 25,730,304.32
Net Debt	<u>5,074,295.30</u>
Remaining Borrowing Power	<u>\$ 20,656,009.02</u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,573,525.97
Deductions:	
Operating and Maintenance Cost	<u>1,201,093.51</u>
Excess in Revenue	<u>\$ 372,432.46</u>

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>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2017</u>
Serial Bonds:				
General Capital Fund	\$ 4,544,000.00	\$ 2,882,000.00	\$ 3,019,000.00	\$ 4,407,000.00
Bond Anticipation Notes:				
General Capital Fund	77,600.00	317,000.00	77,600.00	317,000.00
NJDEP Loans Payable:				
General Capital Fund	<u>118,951.43</u>		<u>28,856.13</u>	<u>90,095.30</u>
Total	<u>\$ 4,740,551.43</u>	<u>\$ 3,199,000.00</u>	<u>\$ 3,125,456.13</u>	<u>\$ 4,814,095.30</u>

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Prior Year

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2016</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>

Analysis of Debt Issued and Outstanding at December 31, 2017

General Capital Serial Bonds Payable

<u>Purpose</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
General Improvement Bonds of 2009	12/01/19	3.00%-3.25%	\$ 435,000.00
General Improvement Bonds of 2015	07/15/23	2.00%	1,125,000.00
Refunding Bonds 2017	12/01/29	2.20%	2,847,000.00
			<u>\$ 4,407,000.00</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, 2017</u>
Milling/Paving of Sections 1 & 3 of Mosle Road	07/31/18	1.50%	\$ 79,000.00
Various Capital Improvements	07/31/18	1.50%	238,000.00
			<u>\$ 317,000.00</u>

General Capital NJ Department of Environmental Protection (NJDEP) Loans

<u>Purpose</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Open Space Acquisition Loan	10/9/2020	2.00%	\$ 90,095.30
TOTAL DEBT ISSUED AND OUTSTANDING			<u>\$ 4,814,095.30</u>

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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 will continue on an annual basis until 2020 years at 2.00% interest. The Borough will be responsible for all such interest and principal payments. The balance of the loan as of December 31, 2017 was \$90,095.30.

Refunding Bonds

The Borough issued \$2,882,000 of refunding bonds with interest rates of 2.200% dated October 24, 2017 to refund \$2,634,000 of the General Improvement Bonds of 2009 with interest rates of 3.625% to 4.000%. The refunding bonds mature on December 1, 2017 through December 1, 2029. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on December 1, 2019. The refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the Borough's financial statements.

As a result of the refunding Borough will realize on a net present value basis savings equating to \$121,652.77 over the life of the bond issue.

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>	
2018	\$ 429,436.13	\$ 93,776.95	\$ 523,213.08
2019	446,027.81	90,137.79	536,165.60
2020	471,631.36	77,852.23	549,483.59
2021	459,000.00	68,050.00	527,050.00
2022	481,000.00	58,342.00	539,342.00
2023-2027	1,406,000.00	162,096.00	1,568,096.00
2028-2029	804,000.00	19,316.00	823,316.00
	<u>\$ 4,497,095.30</u>	<u>\$ 569,570.97</u>	<u>\$ 5,066,666.27</u>

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

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 \$3,262,568 at June 30, 2017. 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 \$3,248,764 at June 30, 2017. See Note 5 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2017, which is included in the adopted budget for the Current and Sewer Utility Operating Funds for the year ending December 31, 2018 is as follows:

Current Fund	\$ 1,600,000.00
Sewer Utility Operating Fund	340,000.00

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, 2017, 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.nj.gov/treasury/pensions/financial-reports.shtml.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$88,355.24 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2017, the Borough's liability was \$3,262,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Borough's proportion was 0.01401%, which was a decrease of 0.00036% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Borough recognized actual pension expense in the amount of \$88,355.24.

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Discount Rate (Cont'd)

future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2017 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:

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

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Borough's proportionate share of the Net Pension Liability	\$ 4,047,437	\$ 3,262,568	\$ 2,608,675

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.nj.gov/treasury/pensions/financial-reports.shtml.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

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:

<u>Tier</u>	<u>Definition</u>
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.

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

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

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, 2017 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 for the fiscal year ended June 30, 2017 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Borough contributions to PFRS amounted to \$170,370.63 for the year ended December 31, 2017. During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$18,196 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$44,512.

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

Pension Liabilities and Pension Expense

At June 30, 2017, the Borough's liability for its proportionate share of the net pension liability was \$3,248,764. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Borough's proportion was 0.02104%, which was an increase of 0.0002% from its proportion measured as of June 30, 2016.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$363,889 as of June 30, 2017. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the State's proportion was 0.02104%, which was an increase of 0.0002% from its proportion measured as of June 30, 2016 which is the same proportion as the Borough's.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Borough's Proportionate Share of the Net Pension Liability	\$ 3,248,764
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>363,889</u>
Total Net Pension Liability	<u>\$ 3,612,653</u>

For the year ended December 31, 2017, the Borough recognized total pension expense of \$170,370.63.

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.00%

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 three years using the plan actuary's modified 2014 projection scales and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales and 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, 2016 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 (7.00% at June 30, 2017) 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

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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)

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2057. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Discount Rate – PFRS (Cont'd)

payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2017 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, 2017		
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 4,759,968	\$ 3,612,653	\$ 2,670,004

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

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 6: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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 \$572.26 for the year ended December 31, 2017. Employee contributions to DCRP amounted to \$1,023.09 for the year ended December 31, 2017.

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 \$334,896.42 at December 31, 2017. 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 \$188,629.72 reflected on the Other Trust Funds' balance sheet as of December 31, 2017.

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>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	\$ 1.902	\$ 1.919	\$ 1.884
<u>Apportionment of Tax Rate</u>			
Municipal	.588	.588	.566
County	.404	.406	.402
Regional School	.910	.925	.916
<u>Assessed Valuations</u>			
2017	<u>\$ 729,105,637.00</u>		
2016		<u>\$ 717,071,287.00</u>	
2015			<u>\$ 704,520,587.00</u>

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8: Selected Tax Information (Cont'd)

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>
2017	\$ 13,895,676.07	\$ 13,700,622.98	98.59%
2016	13,827,503.00	13,664,386.94	98.82%
2015	13,324,440.38	13,113,988.14	98.42%

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. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial 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:

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Deposits: (Cont'd)

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%.

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Investments: (Cont'd)

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

As of December 31, 2017, cash and cash equivalents of the Borough of Peapack and Gladstone consisted of the following:

Fund	Cash on Hand	Checking Accounts	New Jersey Cash Management Fund	Totals
Current	\$ 150.00	\$ 5,111,770.04	\$ 1,338,027.28	\$ 6,449,947.32
Animal Control		11,098.73		11,098.73
Other Trust		2,879,072.84		2,879,072.84
General Capital		421,203.36	110,000.00	531,203.36
Sewer Utility Operating		765,105.50	576,848.55	1,341,954.05
Sewer Utility Capital		604,409.47	60,000.00	664,409.47
Public Assistance		3,443.66		3,443.66
	<u>\$ 150.00</u>	<u>\$ 9,796,103.60</u>	<u>\$ 2,084,875.83</u>	<u>\$ 11,881,129.43</u>

The Borough did not hold any investments during the year ended December 31, 2017. The carrying amount of the Borough's cash and cash equivalents at year end was \$11,881,129.43 and the bank balance was \$11,784,770.62. The \$2,084,875.83 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

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10: Risk Management (Cont'd)

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.

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, 2017 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, 2016 is as follows:

	Statewide Insurance Fund
Total Assets	\$ 46,196,539
Net Position	\$ 9,047,661
Total Revenue	\$ 28,868,244
Total Expenses	\$ 25,148,277
Change in Net Position	\$ 3,719,967
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.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 10: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

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:

<u>Year</u>	<u>Borough Contribution</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 2,000.00	\$ 5.54	\$ 1,488.08	\$ 4,319.28	\$ 9,646.68
2016	2,000.00	11.64		11,624.00	10,472.34
2015	2,000.00	14.39		5,755.00	20,084.70

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current - Regular	\$ 4,063.73	\$ 876,329.75
Current - Federal and State Grant	111,996.38	
Animal Control		4,063.73
Other Trust	633,091.87	
General Capital	131,241.50	
Sewer Utility Operating	9.65	
Sewer Utility Capital		9.65
	<u>\$ 880,403.13</u>	<u>\$ 880,403.13</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 Funds is primarily comprised of the open space tax levy due from the Current Fund for the current and prior years, budget appropriations not turned over from the Current Fund and uniform construction code fees collected in the Other Trust Funds 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. Lastly, the interfund receivable in the General Capital Fund is for grant funds collected by the Current Fund and not transferred over as of the end of the year, offset by December interest earnings due to Current Fund.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

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.

Note 14: Fixed Assets

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

	Balance Dec. 31, 2016	Additions	Deletions	Balance Dec. 31, 2017
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	\$ 12,745.57	\$ 1,350.00	4,040,075.57
	<u>\$ 11,006,770.00</u>	<u>\$ 12,745.57</u>	<u>\$ 1,350.00</u>	<u>\$ 11,018,165.57</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.

BOROUGH OF PEAPACK AND GLADSTONE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

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

Borough Employees

Upon retirement, full time Borough employees hired before April 1, 2017 who retire 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.

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 2017 the Borough had approximately 16 employees who met eligibility requirements and recognized expenses of approximately \$288,427.14.

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.

SUPPLEMENTARY DATA

BOROUGH OF PEAPACK AND GLADSTONE
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

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 - (1/1/17 to 4/30/17)	Blanket (2)	
Randy Bahr	Interim Administrator - (5/1/17 to 12/31/17)	Blanket (2)	
Christopher J. Tiejjen	Assistant Administrator - (11/20/17 to 12/31/17)	Blanket (2)	
Donna Bassman	Deputy Clerk - (1/1/17 to 7/31/17)	Blanket (2)	
Nancy A. Bretzger	Clerk - (8/16/17 to 12/31/17)	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	Blanket (2)	
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 - (1/1/17 to 2/28/17)	Blanket (2)	
Scott Hanna	Public Works Supervisor - (3/1/17 to 12/31/17)	Blanket (2)	
Katherine Howes	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
2017
CURRENT FUND

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

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 4,283,386.94
Increased by Receipts:		
Tax Collector	\$ 15,558,102.30	
Third Party Tax Title Liens	17,395.33	
Revenue Accounts Receivable	632,742.74	
Due from State of New Jersey:		
Marriage License Fees	625.00	
Veterans and Senior Citizens' Deductions	13,250.00	
Miscellaneous Revenue Not Anticipated	140,978.05	
Due to Insurance Company for Claim Restitution	2,402.00	
Due Other Trust Funds:		
Partial Settlement of Prior Year Interfund	10,404.19	
Due from Animal Control Trust Fund:		
Interfunds Returned	2,373.88	
Due from Net Payroll and Payroll Agency Accounts:		
Interfunds Returned	0.99	
Due from General Capital Fund:		
N.J. Department of Transportation Grant Receipts	131,250.00	
Interfunds Returned	2.62	
Appropriation Refunds	87,964.67	
Reserve for Police Donations	3,575.00	
Due to Federal and State Grant Fund:		
Unappropriated Grant Reserves	15,294.55	
Grant Receivables	26,780.00	
	16,643,141.32	16,643,141.32
		20,926,528.26
Decreased by Disbursements:		
2017 Appropriation Expenditures	4,449,824.36	
2016 Appropriation Reserves	304,070.58	
Regional School Taxes	6,630,839.00	
County Taxes	2,953,494.32	
Third Party Tax Title Liens	17,395.33	
Tax Overpayments	16,706.14	
Due from Federal and State Grant Fund:		
Appropriated Grant Expenditures	38,777.37	
Due to State of New Jersey:		
Marriage License Fees	525.00	
Due Other Trust Funds:		
Partial Settlement of Prior Year Interfund	64,400.00	
Reserve for Master Plan	465.00	
Return of Prior Year Revenue	233.84	
	14,476,730.94	14,476,730.94
Balance December 31, 2017	A	\$ 6,449,797.32

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

Taxes Receivable	\$ 13,735,699.20
2017 Prepaid Taxes	1,745,368.78
Interest and Costs on Taxes	45,173.32
Tax Overpayments	31,758.87
Miscellaneous Revenue Not Anticipated	102.13

\$ 15,558,102.30

Decreased by:

Payments to Municipal Treasurer

\$ 15,558,102.30

SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

Year	Balance		2017 Levy		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Overpayments Applied	Cancelled	Balance Dec. 31, 2017
	Dec. 31, 2016		2016	2017	2016	2017				
2014		\$ 5,931.80		\$ 5,931.80						
2015		11,816.45		11,816.45						
2016	\$ 157,213.22	12,487.42		169,700.64						
	157,213.22	30,235.67		187,448.89						
2017		\$ 13,895,676.07	\$ 134,507.91	13,548,250.31	\$ 134,507.91	\$ 13,735,699.20	\$ 13,000.00	\$ 4,864.76	\$ 11,859.14	\$ 183,193.95
		\$ 157,213.22	\$ 134,507.91	\$ 13,735,699.20	\$ 134,507.91	\$ 13,735,699.20	\$ 13,000.00	\$ 4,864.76	\$ 11,859.14	\$ 183,193.95

Ref. A

A

Analysis of 2016 Property Tax Levy

Tax Yield:

General Purpose Tax
 Business Personal Property Taxes

\$ 13,867,589.22
28,086.85

\$ 13,895,676.07

Tax Levy:

Regional School District Taxes
 County Taxes
 Due County for Added and Omitted Taxes

\$ 6,630,839.00
 2,941,106.96
12,387.36
 2,953,494.32
 219,651.76
9,803,985.08

Municipal Open Space Tax Levy

Local Tax for Municipal Purposes Levied
 Additional Taxes Levied

4,070,831.70
20,859.29
 4,091,690.99
\$ 13,895,676.07

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Accrued In</u> <u>2017</u>	<u>Received In</u> <u>2017</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Clerk:				
Alcoholic Beverage Licenses		\$ 12,563.00	\$ 12,563.00	
Fees and permits		70,706.23	70,706.23	
Municipal Court:				
Fines and Costs	\$ 7,402.86	117,628.53	117,123.51	\$ 7,907.88
Uniform Construction Code Fees		181,291.00	181,291.00	
Energy Receipts Taxes		251,059.00	251,059.00	
	<u>\$ 7,402.86</u>	<u>\$ 633,247.76</u>	<u>\$ 632,742.74</u>	<u>\$ 7,907.88</u>
<u>Ref.</u>	A			A

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
General Administration:				
Salaries & Wages	\$ 520.00	\$ 520.00		\$ 520.00
Other Expenses	42,719.06	42,219.06	\$ 2,232.96	39,986.10
Mayor and Council:				
Other Expenses	15,731.43	15,731.43	10,640.43	5,091.00
Municipal Clerk:				
Salaries & Wages	10,194.15	10,194.15		10,194.15
Other Expenses	6,376.59	6,376.59	4,475.07	1,901.52
Financial Administration:				
Salaries & Wages	0.23	0.23		0.23
Other Expenses	3,207.55	3,207.55	140.02	3,067.53
Annual Audit	27,750.00	27,750.00		27,750.00
Computer Information Technology				
Other Expenses	2,327.98	2,327.98	239.87	2,088.11
Revenue Administration (Tax Collection):				
Salaries & Wages	1,200.10	1,200.10	98.92	1,101.18
Other Expenses	1,049.10	1,049.10		1,049.10
Tax Assessment Administration:				
Salaries & Wages	2,028.53	2,028.53		2,028.53
Other Expenses	1,250.96	1,250.96	521.52	729.44
Legal Services and Costs:				
Other Expenses - Fees	70,572.00	70,572.00	35,113.45	35,458.55
Engineering Services and Costs:				
Other Expenses	6,900.04	6,900.04	6,030.35	869.69
Cultural Heritage				
Other Expenses	1,750.00	1,750.00	1,611.00	139.00
Municipal Land Use Law:				
Land Use Board:				
Salaries & Wages	211.16	211.16	147.00	64.16
Other Expenses	19,448.15	19,448.15	3,034.07	16,414.08
Zoning Cost:				
Other Expenses	246.07	246.07		246.07
Insurance:				
Group Insurance Plans for Employees	28,791.23	28,791.23		28,791.23
General Liability Insurance	2,837.32	2,837.32		2,837.32
Workers Compensation				
Health Benefit Waiver	1,792.52	1,792.52		1,792.52
PUBLIC SAFETY:				
Police:				
Salaries & Wages	6,832.30	6,832.30	1,892.17	4,940.13
Other Expenses	36,442.39	36,442.39	23,395.48	13,046.91

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
PUBLIC SAFETY: (Cont'd)				
Emergency Management Services:				
Other Expenses	\$ 5,580.17	\$ 5,580.17	\$ 38.01	\$ 5,542.16
Fire:				
Other Expenses	16,737.27	17,237.27	16,752.36	484.91
Fire Prevention Program:				
Salaries & Wages	949.94	949.94		949.94
Other Expenses	1,135.00	1,135.00		1,135.00
Fire Hydrant Services	7,343.22	7,343.22	7,336.98	6.24
Municipal Court:				
Other Expenses	4,000.00	4,000.00		4,000.00
PUBLIC WORKS:				
Streets and Roads:				
Salaries & Wages - Streets and Roads	31,114.61	31,114.61	220.11	30,894.50
Other Expenses - Maintenance and Repairs	28,605.74	28,605.74	14,110.66	14,495.08
Shade Tree Commission				
Other Expenses	2,650.00	2,650.00	2,620.41	29.59
Garbage and Trash Removal:				
Salaries & Wages	0.80	0.80		0.80
Other Expenses	24,231.67	24,231.67	21,756.11	2,475.56
Public Building and Grounds:				
Salaries & Wages	26,136.36	26,136.36	92.75	26,043.61
Other Expenses	69,165.77	69,165.77	62,702.49	6,463.28
Vehicle Maintenance:				
Other Expenses	22,205.44	22,205.44	1,914.16	20,291.28
HEALTH AND WELFARE:				
Board of Health:				
Salaries & Wages	685.05	685.05		685.05
Other Expenses	78.64	78.64		78.64
Environmental Commission:				
Other Expenses	7,289.58	7,289.58	7,286.58	3.00
Animal Control:				
Other Expenses	0.80	0.80		0.80
PARKS AND RECREATION:				
Senior Citizen Center Transportation:				
Other Expenses	1,855.00	1,855.00		1,855.00

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Uniform Construction Code:				
Construction Official:				
Salaries & Wages	\$ 1,964.36	\$ 1,964.36	\$ 378.00	\$ 1,586.36
Other Expenses	3,225.04	3,225.04	3,112.50	112.54
Unclassified:				
Telephone	12,216.01	12,216.01	2,617.15	9,598.86
Water	1,414.23	1,414.23	763.85	650.38
Gasoline	35,909.58	35,909.58	3,776.14	32,133.44
Electricity	14,892.01	14,892.01	5,115.85	9,776.16
Street Lighting	11,996.52	11,996.52	1,666.15	10,330.37
Natural Gas	21,286.34	21,286.34	4,430.29	16,856.05
Landfill Settlement Costs	25,486.12	25,486.12	12,981.08	12,505.04
Deferred Charges and Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	17,435.26	17,435.26	19.13	17,416.13
Defined Contribution Retirement Fund	1,810.71	1,810.71		1,810.71
Contingent	2,000.00	2,000.00		2,000.00
Operations Excluded from "CAPS":;				
Maintenance of Library:				
Other Expenses	897.21	897.21	49.05	848.16
Recycling Tax	1,572.60	1,572.60	723.18	849.42
LOSAP - Fire Company	36,000.00	36,000.00	27,400.19	8,599.81
LOSAP - First Aid Squad	17,000.00	17,000.00	12,454.63	4,545.37
Donations:				
Police Equipment	3,180.46	3,180.46	3,180.46	
Garden Club Somerset Hills	1,000.00	1,000.00	1,000.00	
	<u>\$ 749,230.37</u>	<u>\$ 749,230.37</u>	<u>\$ 304,070.58</u>	<u>\$ 445,159.79</u>
	<u>Ref.</u>			
Encumbered	A	\$ 317,158.42		
Unencumbered	A	<u>432,071.95</u>		
		<u>\$ 749,230.37</u>		

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

	<u>Ref.</u>		
Balance December 31, 2016	A	\$	1,263.14
Increased by:			
Levy - Calendar Year 2017			6,630,839.00
			6,632,102.14
Decreased by:			
Payments to Regional School District			6,630,839.00
			6,630,839.00
Balance December 31, 2017	A	\$	1,263.14

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

	2017 Budget Revenue Realized	Grant Funds Received in Current Fund	Grant Funds Transferred from Current Fund	Transferred from Unappropriated Reserves	Cancelled	Balance Dec. 31, 2017
Body Armor Replacement Fund	\$ 1,141.59			\$ 1,141.59		
Distracted Driving Grant	10,945.00	\$ 10,780.00		\$ 165.00		
Clean Communities Grant	8,536.90			8,536.90		
Recycling Tonnage Grant	3,878.82			3,878.82		
Click It or Ticket Grant	1,815.00	880.00			935.00	
County Municipal Planning Grant						\$ 14,250.00
NJ Highlands Plan Conformance Grant						7,500.00
Smart Growth Planning Assistance Grant						6,500.00
Sustainable Jersey Small Grant	2,000.00	2,000.00				7,500.00
Police Donations	3,525.00		\$ 3,525.00			
Garden Club Somerset Hills	1,000.00	1,000.00				
Drive Sober or Get Pulled Over Grant	6,000.00	4,320.00			1,680.00	
Somerset County DWI Grant	9,540.00	7,800.00				8,315.00
	<u>\$ 48,382.31</u>	<u>\$ 26,780.00</u>	<u>\$ 3,525.00</u>	<u>\$ 13,557.31</u>	<u>\$ 2,780.00</u>	<u>\$ 44,065.00</u>

Ref.

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

	Balance Dec. 31, 2016	Grant Funds Received	Transferred to 2017 Budget Revenue	Balance Dec. 31, 2017
Recycling Tonnage Grant	\$ 3,878.82	\$ 6,320.09	\$ 3,878.82	\$ 6,320.09
Body Armor Replacement Fund	1,141.59	1,142.76	1,141.59	1,142.76
Clean Communities Grant	8,536.90	7,252.64	8,536.90	7,252.64
Alcohol Education and Rehabilitation Fund		579.06		579.06
	<u>\$ 13,557.31</u>	<u>\$ 15,294.55</u>	<u>\$ 13,557.31</u>	<u>\$ 15,294.55</u>

Ref.

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

	Balance Dec. 31, 2016	Transferred from Budget Appropriations	Expended in Current Fund	Canceled	Balance Dec. 31, 2017
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	12,612.80		\$ 6,365.00		6,247.80
Recycling Tonnage Grant -2016	4,211.48				4,211.48
Recycling Tonnage Grant -2017		\$ 3,878.82			3,878.82
Body Armor Replacement Fund - Prior Years	4,089.08				4,089.08
Body Armor Replacement Fund - 2016	1,089.36				1,089.36
Body Armor Replacement Fund - 2017		1,141.59			1,141.59
New Jersey Highlands Council Planning Grant	1,472.16				1,472.16
Drunk Driving Enforcement Fund - 2015	1,195.95		116.39		1,079.56
Clean Communities Grant - Prior Years	8,522.41		2,996.53		5,525.88
Clean Communities Grant - 2016	7,464.56				7,464.56
Clean Communities Grant - 2017		8,536.90			8,536.90
Municipal Alliance on Alcoholism and Drug Abuse:					
Municipal Share 2016	175.00		175.00		
Municipal Share 2017		726.80	551.80		175.00
Drive Sober or Get Pulled Over Grant		6,000.00	4,320.00	\$ 1,680.00	
Distracted Driving Grant		10,945.00	10,780.00	165.00	
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 - 2016	2,915.00		2,915.00		
Somerset County DWI Grant - 2017		9,540.00	6,085.00		3,455.00
Police Donations	700.00	3,525.00	3,592.65		632.35

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

	Balance Dec. 31, 2016	Transferred from Budget Appropriations	Expended in Current Fund	Canceled	Balance Dec. 31, 2017
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	\$ 2,000.00			9,686.00
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
Help America Vote Grant	523.55				523.55
Green Community Grant	400.00				400.00
Green Community Grant - Matching	400.00				400.00
Click It or Ticket Grant		1,815.00	\$ 880.00	\$ 935.00	
	<u>\$ 133,215.09</u>	<u>\$ 49,109.11</u>	<u>\$ 38,777.37</u>	<u>\$ 2,780.00</u>	<u>\$ 140,766.83</u>

Ref.

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Federal	\$ 18,760.00	\$ 15,980.00			
State	13,557.31	9,477.92			
County and Local Grants	16,065.00	12,592.65			
Match	<u>726.80</u>	<u>726.80</u>			
	<u>\$ 49,109.11</u>	<u>\$ 38,777.37</u>			

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
TRUST FUNDS

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

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2016	B	\$ 10,538.88	\$ 2,509,928.59
Increased by Receipts:			
Borough Dog License Fees	\$	3,302.40	
Penalties on Dog License Fees		460.00	
State Dog License Fees		525.60	
Due to Current Fund:			
Prior Year Interfund Returned			\$ 64,400.00
Police Outside Service Administrative Fees			4,304.67
Interest Earned	0.33		17.78
Due to State of New Jersey:			
DCA Fees			17,344.00
Reserve for:			
Open Space:			
Green Acres Trust Grant			550,000.00
Interest Earned			412.50
Housing Trust			16,399.57
Unemployment Compensation Insurance:			
Employee Contributions			1,488.08
Employer Contribution			2,000.00
Interest Earned			5.54
Council on Affordable Housing			224.86
Developers Escrow			49,968.18
Recreation Commission			82,966.44
Forfeited Assets			4,357.06
Flexible Spending			825.00
Escrow Deposits			152.60
Parking Offense Adjudication Act			42.00
Accumulated Leave			10,000.00
Recycling			110.00
Police Outside Services			125,586.00
Historic Preservation Commission			265.00
Friends of the Library			50,000.00
		<u>4,288.33</u>	<u>980,869.28</u>
		14,827.21	3,490,797.87
Decreased by Disbursements:			
Due to State of New Jersey Board of Health	525.60		
Administrative Expenses (R.S. 4:19-15.11)	829.00		
Due to Current Fund:			
Prior Year Interfund Returned	2,373.88		10,404.19
Reserve for:			
Open Space			205,737.19
Unemployment Compensation Insurance			4,319.28
Developers Escrow			70,967.52
Recreation Commission			72,203.87
Forfeited Assets			2,017.20
Flexible Spending			625.00
Accumulated Leave			65,620.78
Tax Sale Premiums			3,500.00
Police Outside Services			126,661.00
Friends of the Library			28,400.00
Due to State of New Jersey:			
DCA Fees			21,269.00
		<u>3,728.48</u>	<u>611,725.03</u>
Balance December 31, 2017	B	<u>\$ 11,098.73</u>	<u>\$ 2,879,072.84</u>

BOROUGH OF PEAPACK AND GLADSTONE
ASSESSMENT TRUST FUND
ANALYSIS OF ASSESSMENT TRUST FUND CASH
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 8,259.60
Increased by:		
Dog License Fees Collected		\$ 3,302.40
Miscellaneous Fees		460.00
		3,762.40
		12,022.00
Decreased by:		
Expenditures Under R.S. 4:19-15.11		829.00
Statutory Excess Due to Current Fund		4,063.40
		4,892.40
Balance December 31, 2017	B	\$ 7,129.60

License Fees Collected	
<u>Year</u>	<u>Amount</u>
2015	\$ 3,699.20
2016	3,430.40
	7,129.60
Maximum Allowable Reserve	\$ 7,129.60

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
GENERAL CAPITAL FUND

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

Balance December 31, 2016	<u>Ref.</u> C	\$ 463,155.90
Increased by:		
2017 Budget Appropriation:		
Capital Improvement Fund	\$ 300,000.00	
Payment of Bond Anticipation Notes	19,400.00	
Bond Anticipation Notes	317,000.00	
Due to Current Fund:		
Interest Earned	<u>8.50</u>	
		<u>636,408.50</u>
		1,099,564.40
Decreased by:		
Improvement Authorization Expenditures	490,758.42	
Due to Current Fund:		
Interfund Returned	2.62	
Bond Anticipation Notes	<u>77,600.00</u>	
		<u>568,361.04</u>
Balance December 31, 2017	C	<u>\$ 531,203.36</u>

BOROUGH OF PEAPACK AND GLADSTONE
GENERAL CAPITAL FUND
ANALYSIS OF CASH

Ord. Date	Improvement Description	Receipts			Disbursements			Balance/ (Deficit) Dec. 31, 2017
		Balance/ (Deficit) Dec. 31, 2016	Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	
	Capital Improvement Fund	\$ 170,969.57	\$ 300,000.00					
	Due to/from Current Fund	2.62						\$ 245,969.57
	Due from New Jersey Department of Transportation Grant	(428,000.00)						(131,241.50)
	Fund Balance	11,521.91						(296,730.00)
				\$ 8.50	\$ 854.52		\$ 2.62	11,521.91
								68,829.05
								131,250.00
								68,829.05
749	Police Equipment	8,415.00						8,415.00
791	Various Improvements- Police and Fire Equipment	320.13						320.13
810/824/848	Various Improvements- Renovations to the Fire House	13,290.01						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						4,145.48
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							
992	Installation	10,324.59						10,324.59
	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	1,592.12						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, 2016	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2017
		Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
1004 Various Capital Improvements:	\$ 1,790.51									\$ 1,790.51
Renovation of Firehouse	375.00									375.00
Purchase of Fire Vehicle	45,477.62									45,477.62
Reconstruction and Paving of Branch Road (Phase II)	2,578.16									2,578.16
Reconstruction and Paving of Holland Road and Todd Avenue	28,460.23									28,460.23
Reconstruction of Emergency Generators	1,043.62	\$ 19,400.00			\$ 1,043.62	\$ 77,600.00				(58,200.00)
Purchase of Radios	78,372.03									78,372.03
Milling/Paving Improvements to Various Roads	177,695.40		\$ 79,000.00		245,628.48					11,066.92
Milling/Paving of Sections 1 & 3 of Mosle Road	16.00				2,012.40					16.00
Acquisition of Landscape Trailer	203,000.00									200,987.60
Milling/Paving Portion of Willow Ave										
Improvements to the Buildings & Grounds and the Purchase of Mower, Purchase of Police SUV/Equipment, and Replacement of Guardrail on Willow Ave.										
Various Capital Improvements					34,114.43			\$ 213,000.00		178,885.57
Refunding of Outstanding General Improvement Bonds					205,504.97			12,000.00		44,495.03
Improvements to Liberty Park					1,600.00			2,900,000.00		67,229.05
	\$ 463,155.90	\$ 319,400.00	\$ 317,000.00	\$ 8.50	\$ 490,758.42	\$ 77,600.00	\$ 2.62	\$ 3,393,908.10	\$ 3,393,908.10	\$ 531,203.36

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

Ord. No.	Improvement Description	Analysis of Balance December 31, 2017							
		Balance Dec. 31, 2016	2017 Authorizations	Funded by Budget Appropriation	Refunding Bonds Issued	Improvement Authorizations Cancelled	Balance Dec. 31, 2017	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	77,600.00		\$ 19,400.00		58,200.00		\$ 58,200.00	
1021	Milling/Paving of Sections 1 & 3 of Mosle Road	114,000.00				114,000.00	\$ 79,000.00	35,000.00	
1041	Various Capital Improvements		\$ 238,000.00			238,000.00	238,000.00		
1042	Refunding of Outstanding General Improvement Bonds		2,900,000.00		\$ 2,882,000.00	\$ 18,000.00			
		<u>\$ 358,600.00</u>	<u>\$ 3,138,000.00</u>	<u>\$ 19,400.00</u>	<u>\$ 2,882,000.00</u>	<u>\$ 18,000.00</u>	<u>\$ 577,200.00</u>	<u>\$ 317,000.00</u>	<u>\$ 202,000.00</u>

Ref.

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Improvement Authorizations Unfunded \$ 257,561.95
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:
Milling/Paving of Sections 1 & 3 of Mosle Road (11,066.92)
Various Capital Improvements (44,495.03)
\$ 202,000.00

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

2017 Authorizations

Ord No.	Improvement Description	Date	Ordinance		Balance Dec. 31, 2016		Capital Improvement Fund	Deferred Charges to Future Taxation- Unfunded	Paid or Charged	Cancelled	Balance Dec. 31, 2017	
			Amount		Funded	Unfunded					Funded	Unfunded
749	Police Equipment	04/10/01	\$ 41,459.00		\$ 8,415.00		\$				8,415.00	
791	Various Improvements- Police and Fire Equipment	06/25/02	200,000.00		320.13						320.13	
810/824/848	Various Improvements- Renovations to the Fire House	05/11/10	26,500.00		13,290.01						13,290.01	
946	Various Improvements- Improvements to Borough Complex	05/11/10	100,000.00		26,500.00						26,500.00	
947	Various Improvements- Improvements to Liberty Park	05/11/10	60,000.00		73,829.05						4,145.48	
955/956	Various Improvements:								\$ 854.52	\$ 68,829.05		
	Purchase of Computer Network System	08/14/11	234,000.00		30.48						30.48	
	Purchase of Police Equipment	08/14/11	175,000.00		4,930.43						4,930.43	
	Improvements to Highland Ave and Timmer Lane	08/14/11	10,000.00		14.56		\$ 159,500.00				14.56	
	Purchase of HVAC System	08/14/11	15,480.00		5,099.10						5,099.10	
957	Acquisition of Police Records Management System	07/12/11	15,000.00		8,006.00						8,006.00	
968	Acquisition of Fire Equipment	04/24/12	90,000.00		1,212.00						1,212.00	
972	Various Acquisitions and Improvements:											
	Lights, Air Conditioner and Windows in Municipal Building	05/22/12	55,500.00		850.95						850.95	
	Acquisition of Police and OEM Equipment	05/22/12	35,000.00		4,149.89						4,149.89	
	Acquisition of DPW Pickup Truck	05/22/12	60,250.00		2,382.40						2,382.40	
973	Various Acquisitions and Improvements:											
	Acquisition of Generator for First Aid Squad	05/22/12	52,750.00		1,560.31						1,560.31	
	Acquisition of Generator for DPW Building	05/22/12	67,000.00		1,168.64						1,168.64	
	Improvements to Overlook Avenue and Municipal Building	05/22/12	235,000.00		149.66						149.66	
	Parking Lot	09/25/12	8,900.00		23.81						23.81	
979	Reconstruction and Paving of Branch Road	03/12/13	38,700.00		97.52						97.52	
982	Purchase of DPW Equipment	07/23/13	37,000.00		10,324.59						10,324.59	
991	Purchase of Police and OEM Equipment, Sidewalk Installation	07/23/13	170,000.00		2,105.11						2,105.11	
992	Various Capital Improvements:											
	Purchase of Police Vehicles	07/23/13	27,000.00		17.14						17.14	
	Resurfacing of Willow Avenue	07/23/13	8,000.00		148.57						148.57	
	Crosswalk Improvements at Highland Ave. and Main St.	07/23/13	86,000.00		500.00						500.00	
	Replacement Boiler	07/23/13	46,100.00		246.80						246.80	
	Purchase of Backhoe	12/14/13	60,000.00		58.94						58.94	
996	Replacement of DPW Equipment	07/22/14	57,000.00		1,592.12						1,592.12	
1002	Replacement of Sidewalks	07/22/14	75,000.00		2,830.02						2,830.02	
1003	Purchase of Police Vehicles and Salt Spreader	07/22/14	75,000.00		1,790.51						1,790.51	
1004	Various Capital Improvements:											
	Renovation of Firehouse	07/22/14	39,000.00		375.00						375.00	
	Purchase of Fire Vehicle	07/22/14	275,000.00		45,477.62						45,477.62	
	Reconstruction and Paving of Branch Road (Phase II)	07/22/14	170,000.00		2,578.16						2,578.16	
	Reconstruction/Paving of Holland Road and Todd Avenue	05/26/15	75,000.00		28,460.23						28,460.23	
1010	Acquisition of Emergency Generators	06/09/15	102,000.00		1,043.62						1,043.62	
1012	Purchase of Radios	06/09/15	199,000.00		78,372.03						78,372.03	
1013	Milling/Paving Improvements to Various Roads	04/12/16	295,000.00		177,695.40						177,695.40	
1021	Milling/Paving Sections 1 & 3 of Mosle Road	04/26/16	7,000.00		16.00						16.00	
1022	Acquisition of Landscape Trailer	07/19/16	203,000.00		203,000.00						203,000.00	
1028	Milling/Paving Portion of Willow Ave								2,012.40			
									245,628.48			46,066.92

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

Ord No.	Improvement Description	Date	Ordinance	Amount	2017 Authorizations		Capital Improvement Fund	Deferred Charges to Future Taxation- Unfunded	Paid or Charged	Cancelled	Balance Dec. 31, 2017	
					Funded	Unfunded					Funded	Unfunded
1039	Improvements to the Buildings & Grounds and the Purchases of Mower, Police SUV/Equipment and Replacement of Guardrail on Willow Avenue	04/25/17	\$ 213,000.00		\$ 213,000.00		\$ 238,000.00	\$ 34,114.43			\$ 178,885.57	\$ 44,495.03
1041	Various Capital Improvements	06/27/17	250,000.00		12,000.00		2,900,000.00	205,504.97				
1042	Refunding of Outstanding General Improvement Bonds	08/15/17	2,900,000.00					2,882,000.00		\$ 18,000.00		
1046	Improvements to Liberty Park	10/24/17	68,829.05		68,829.05			1,600.00			67,229.05	
					\$ 707,618.18	\$ 282,043.62	\$ 3,138,000.00		\$ 3,372,758.42	\$ 86,829.05	\$ 704,341.43	\$ 257,561.95
	Ref.				C	C					C	C
	Cash Disbursed							\$ 490,758.42				
	Refunding Bonds Issued							2,882,000.00				
								\$ 3,372,758.42				
	Capital Improvement Fund							\$ 68,829.05				
	Deferred Charges to Future Taxation - Unfunded							18,000.00				
								\$ 86,829.05				

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

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 170,969.57
Increased by:		
Current Fund Budget Appropriation		\$ 300,000.00
Improvement Authorization Cancelled		<u>68,829.05</u>
		<u>368,829.05</u>
		<u>539,798.62</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>293,829.05</u>
Balance December 31, 2017	C	<u><u>\$ 245,969.57</u></u>

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

Improvement Authorization	Ord. No.	Issue of Original Note	Date of			Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017
			Issue	Maturity						
Purchase of Radios	1012	07/21/15	07/20/16	07/20/17	1.09%	\$ 77,600.00		\$ 77,600.00		
Milling/Paving of Sections 1 & 3 of Mosle Road	1021	07/31/17	07/31/17	07/31/18	1.50%		\$ 79,000.00		\$ 79,000.00	
Various Capital Improvements	1041	07/31/17	07/31/17	07/31/18	1.50%		238,000.00		238,000.00	
					<u>Ref.</u>	\$ 77,600.00	\$ 317,000.00	\$ 77,600.00	\$ 317,000.00	
									C	
					Renewals		\$ 317,000.00			
					Paid by Cash			\$ 58,200.00		
					Paid by Budget Appropriation			19,400.00		
							\$ 317,000.00	\$ 77,600.00	\$ 317,000.00	

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Refunded	Balance Dec. 31, 2017
			Date	Amount						
General Improvement Bonds of 2009	12/01/09	\$ 4,494,000.00	12/01/18	\$ 215,000.00	3.000%	\$ 3,274,000.00		\$ 205,000.00	\$ 2,634,000.00	\$ 435,000.00
			12/01/19	220,000.00	3.250%					
General Improvement Bonds of 2015	07/15/18	1,400,000.00	07/15/18	155,000.00	2.000%	1,270,000.00		145,000.00		1,125,000.00
			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%					
Refunding Bonds of 2017	10/24/17	2,882,000.00	12/01/18	30,000.00	2.200%		\$ 2,882,000.00	35,000.00		2,847,000.00
			12/01/19	31,000.00	2.200%					
			12/01/20	261,000.00	2.200%					
			12/01/21	264,000.00	2.200%					
			12/01/22	271,000.00	2.200%					
			12/01/23	273,000.00	2.200%					
			12/01/24	279,000.00	2.200%					
			12/01/25	284,000.00	2.200%					
			12/01/26	285,000.00	2.200%					
			12/01/27	285,000.00	2.200%					
		12/01/28	290,000.00	2.200%						
		12/01/29	294,000.00	2.200%						
						<u>\$ 4,544,000.00</u>	C	<u>\$ 385,000.00</u>	<u>\$ 2,634,000.00</u>	<u>\$ 4,407,000.00</u>

Ref. C

Current Fund
Open Space Trust Fund

\$ 265,016.00
119,984.00
\$ 385,000.00

C

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

Balance December 31, 2016	<u>Ref.</u> C	\$ 118,951.43
Decreased by:		
Loan Payments		28,856.13
Balance December 31, 2017	C	\$ 90,095.30

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
OUTSTANDING DECEMBER 31, 2017

<u>Payment Number</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Loan</u>
					\$ 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	
			\$ 3,179.47	\$ 90,095.30	

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

Ord. No.	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Funded by Budget Appropriation	Refunding Bonds Issued	Improvement Authorizations Cancelled	Bond Anticipation Notes Redeemed	Bond Anticipation Notes Issued	Balance Dec. 31, 2017
955/956	Various Improvements:								
	Improvements to Highland Ave. and Trimmer Lane	\$ 159,500.00							\$ 159,500.00
992	Various Capital Improvements:								
	Replacement of Boiler	7,500.00							7,500.00
1012	Purchase of Radios			\$ 19,400.00					
1021	Milling/Paving of Sections 1 & 3 of Mosle Road	114,000.00					\$ 77,600.00		58,200.00
1041	Various Capital Improvements		\$ 238,000.00					\$ 79,000.00	35,000.00
1042	Refunding of Outstanding General Improvement Bonds		2,900,000.00		\$ 2,882,000.00	\$ 18,000.00		238,000.00	
		<u>\$ 281,000.00</u>	<u>\$ 3,138,000.00</u>	<u>\$ 19,400.00</u>	<u>\$ 2,882,000.00</u>	<u>\$ 18,000.00</u>	<u>\$ 77,600.00</u>	<u>\$ 317,000.00</u>	<u>\$ 260,200.00</u>

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
SEWER UTILITY FUND

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

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2016	E	\$ 1,399,712.79	\$ 414,404.23
Increased by Receipts:			
Consumer Accounts Receivable	\$	1,202,858.66	
Shared Services		94,595.07	
Interest on Delinquent Rents		5,758.33	
Sewer Overpayments		1,563.98	
Interest on Investments		5,730.61	
Appropriation Refunds		147.27	
Due from Sewer Utility Capital Fund:			
Interfunds Returned		4.41	
Due to Sewer Utility Operating Fund:			
Interest on Deposits			\$ 9.65
Capital Improvement Fund:			
2017 Budget Appropriation			200,000.00
Reserve for Capital Improvements – Shared Services			50,000.00
Other Sewer Fees		<u>38,247.24</u>	
		<u>1,348,905.57</u>	<u>250,009.65</u>
		2,748,618.36	664,413.88
Decreased by Disbursements:			
2017 Budget Appropriations		1,269,264.92	
2016 Appropriation Reserves		121,549.39	
Refund of Prior Year Revenue		15,850.00	
Due to Sewer Utility Operating Fund:			
Interfunds Returned			4.41
		<u>1,406,664.31</u>	<u>4.41</u>
Balance December 31, 2017	E	<u>\$ 1,341,954.05</u>	<u>\$ 664,409.47</u>

BOROUGH OF PEAPACK AND GLADSTONE
SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

	Balance		Receipts		Disbursements		Balance Dec. 31, 2017
	Dec. 31, 2016		Budget Appropriation	Miscellaneous	Miscellaneous		
Capital Improvement Fund	\$ 351,486.27		\$ 200,000.00				\$ 551,486.27
Due to Sewer Utility Operating Fund	4.41			9.65	4.41		9.65
Reserve for Contribution in Aid of Construction	29,359.57						29,359.57
Reserve for Sewer Pump	9,000.00						9,000.00
Reserve for Capital Improvements – Shared Services			50,000.00				50,000.00
Fund Balance	19,754.31						19,754.31
<u>Ord</u>	<u>Date</u>	<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
			\$ 250,000.00	\$ 9.65	\$ 4.41		\$ 664,409.47

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

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 64,319.28
Increased by:		
Sewer Rents Levied		<u>1,202,725.82</u>
		1,267,045.10
Decreased by Collections:		
Sewer Rents:		
Collected in Sewer Utility Operating Fund		\$ 1,202,858.66
Sewer Rent Overpayments Applied		1,117.41
Cancelled by Resolution		1,113.42
Senior Citizen Discount Applied		<u>190.08</u>
		<u>1,205,279.57</u>
Balance December 31, 2017	E	<u><u>\$ 61,765.53</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 8,317,748.85
Balance December 31, 2017	E	<u>\$ 8,317,748.85</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, 2016	Dec. 31, 2017
Acquisition of Sewer Department Equipment	04/08/97	\$ 57,000.00	\$ 57,000.00	\$ 57,000.00
Purchase of Mason Dump Truck	04/13/99	11,000.00	11,000.00	11,000.00
Purchase of Mason Dump Truck	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 2016 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 26,153.60	\$ 26,153.60	\$ 172.50	\$ 25,981.10
Other Expenses	303,463.93	303,463.93	121,376.89	182,087.04
Capital Improvement:				
Capital Outlay	30,000.00	30,000.00		30,000.00
Statutory Expenditures:				
Contribution to:				
Social Security System	<u>2,530.31</u>	<u>2,530.31</u>		<u>2,530.31</u>
	<u>\$ 362,147.84</u>	<u>\$ 362,147.84</u>	<u>\$ 121,549.39</u>	<u>\$ 240,598.45</u>
	<u>Ref.</u>			
Encumbered	E	\$ 63,388.39		
Unencumbered	E	<u>298,759.45</u>		
		<u>\$ 362,147.84</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, 2016</u>	<u>Dec. 31, 2017</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, 2016	E	\$ 351,486.27
Increased by:		
2017 Budget Appropriation		<u>200,000.00</u>
Balance December 31, 2017	E	<u>\$ 551,486.27</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, 2016</u>	<u>Balance</u> <u>Dec. 31, 2017</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, 2016	E	\$ 8,317,748.85
Balance December 31, 2017	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, 2017

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE
SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

NOT APPLICABLE

BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET
2017
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, 2016	F	\$ 3,442.63	\$ 3,442.63
Increased by Receipts:			
Interest Earned		<u>1.03</u>	<u>1.03</u>
Balance December 31, 2017	F	<u>\$ 3,443.66</u>	<u>\$ 3,443.66</u>

BOROUGH OF PEAPACK AND GLADSTONE

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF PEAPACK AND GLADSTONE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Name of Federal Agency or Department/Pass Through Dept.	C.F.D.A. No.	Name of Program	State Account #	Grant Award Amount	Grant Period From To	Current Year Receipts	Current Year Expenditures	Cumulative Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation (Passed thru NJ Department of Transportation)	20.205	Highway Planning and Construction Cluster: Transportation Trust Fund Authority Act: Municipal Aid: Milling and Paving of Sections 1&3 of Mosle Road	480-078-6320- AL5-609165	\$ 175,000.00	01/01/16 12/31/18	\$ 131,250.00	\$ 131,250.00	\$ 131,250.00	
(Passed through New Jersey Department of Law and Public Safety) Division of Highway Traffic Safety	20.616	Click It or Ticket It	N/A	1,815.00	01/01/17 12/31/17	880.00	880.00	880.00	
	20.616	Drive Sober or Get Pulled Over	100-066-1160- 157-031020	6,000.00	01/01/17 12/31/17	4,320.00	4,320.00	4,320.00	
	20.616	Distracted Driving Grant	100-066-1160- 158-031030	10,945.00	01/01/17 12/31/17	10,780.00	10,780.00	10,780.00	
Total U.S. Department of Transportation/Federal Awards				\$ 193,760.00		\$ 147,230.00	\$ 147,230.00	\$ 147,230.00	\$ -0-

BOROUGH OF PEAPACK AND GLADSTONE
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2017

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	12/31/18	\$ 116.39	\$ 116.39	\$ 3,038.87
	Body Armor Replacement Grant	718-066-1020- 001-090160	1,142.76	01/01/17	12/31/18	\$ 1,142.76	1,142.76	3,038.87
Total Department of Law and Public Safety								
<u>Department and Health and Senior Services</u>	Municipal Court Alcohol Education and Rehabilitation Fund	760-098-9735 001-600000	579.06	01/01/17	12/31/18	579.06		
	Total Department of Health and Senior Services							
<u>Department of Environmental Protection</u>	Clean Communities Grant	765-042-4900	12,523.90	Prior Years	12/31/17	2,996.53	2,996.53	6,998.02
	Recycling Tonnage Grant	100-042-4910- 224-238490	7,252.64	01/01/17	12/31/18	7,252.64	2,996.53	6,998.02
Total Department of Environmental Protection	Green Trust Grant	533-042-4800- 003-852000	16,478.90	Prior Years	12/31/17	6,365.00	6,365.00	10,231.10
	Total State Awards		550,000.00	01/01/05	12/31/11	550,000.00	559,361.53	550,000.00
			592,575.53			6,320.09	6,320.09	567,229.12
			\$ 598,415.78			\$ 564,715.49	\$ 559,477.92	\$ 570,267.99

* - Expended in a prior year

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, 2017

A. BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal and State Awards (the "Schedules") include the federal and state grant activity of the Borough of Peapack and Gladstone under programs of the federal and state governments for the year ended December 31, 2017. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying Schedules of Expenditures of Federal and State Awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Borough has elected not 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, 2017, the Borough had \$90,095.30 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 years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 11, 2018. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01 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

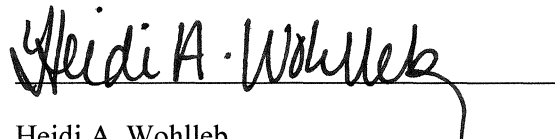
The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 11, 2018

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 solid 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, 2017

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, 2017 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 2017-01

Segregation of Duties

Criteria

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

Condition

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of 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 and the preparation of the general ledger. The Deputy Treasurer, is responsible for all aspects of the payroll process, disburses funds and is the Assistant Tax Collector.

Cause

This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures.

Effect or Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

BOROUGH OF PEAPACK AND GLADSTONE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

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

Finding 2017-01 (Cont'd)

Segregation of Duties (Cont'd)

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, 2017

The prior year finding 2016-01 regarding segregation of duties has not been resolved due to budgetary constraints and is included as current year Finding 2017-01.

BOROUGH OF PEAPACK AND GLADSTONE

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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.

Our review of contract awards revealed that bids were not advertised for in one instance where accumulated payments to a vendor exceeded the bid threshold.

Recommendation:

It is recommended that bids be advertised when accumulated payments to a vendor exceed the bid threshold.

Management's Response

The Borough will make every effort to ensure that Local Public Contract Law is adhered to.

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 3, 2017, 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, 2017."
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.

BOROUGH OF PEAPACK AND GLADSTONE
COMMENTS AND RECOMMENDATIONS
 (Continued)

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
2017	-0-
2016	-0-
2015	-0-

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:

Type	Number Mailed
Payment of 2017 and 2018 Taxes	20
Delinquent Taxes	15
Payment of 2017 Sewer Charges	15
Delinquent Sewer Charges	20

Verification notices were mailed to confirm balances as of December 31, 2017. 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 is in compliance with the above accounting requirements.

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 on the following page is a summary of receipts and disbursements for the year ended December 31, 2017.

BOROUGH OF PEAPACK AND GLADSTONE
COMMENTS AND RECOMMENDATIONS
(Continued)

Joint Municipal Court (Cont'd)

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Receipts	Disbursements	Balance Dec. 31, 2017
Municipal Treasurer:				
Fines and Costs	\$ 7,402.10	\$ 117,077.62	\$ 116,571.84	\$ 7,907.88
P.O.A.A. Fines	3.00	42.00	41.00	4.00
Public Defender		569.50	569.50	
Interest:				
Regular Account	0.67	6.89	7.16	0.40
Bail Account	0.09	0.99	1.00	0.08
State Treasurer	2,541.90	88,973.13	84,550.91	6,964.12
County Treasurer	3,333.00	62,801.75	62,130.75	4,004.00
Conditional Discharge Fee	13.00	150.00	88.00	75.00
Fish and Game				
Cash Bail	4,300.00	22,658.00	23,058.00	3,900.00
	<u>\$ 17,593.76</u>	<u>\$ 292,279.88</u>	<u>\$ 287,018.16</u>	<u>\$ 22,855.48</u>

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

Recommendation

It is recommended that copies of voided tickets be maintained on file for audit review.

Management's Response

The Court personnel will ensure that copies of voided tickets are maintained on file for audit review.

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 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 and the preparation of the general ledger. 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.

BOROUGH OF PEAPACK AND GLADSTONE
COMMENTS AND RECOMMENDATIONS
(Continued)

Segregation of Duties (Cont'd)

Management's Response

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

Animal Control Records

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

- 1) The dog license receipts were not always deposited within 48 hours of collection as required by state statute.
- 2) Copies of the monthly state dog license reports were not maintained on file.
- 3) The fees for dog licenses per the related application did not reflect the fees per the most current ordinance and thus the correct fee for dog licenses was not charged. However, as an application for the current fees have been utilized to date in 2018, no formal recommendation is judged to be warranted.

Recommendation

It is recommended that dog license fee collections are deposited within 48 hours as per state statute and that copies of the monthly state dog license reports are maintained on file.

Management's Response

The Borough will ensure dog license fee collections are deposited within 48 hours as per state statute and that copies of the monthly state dog license reports are maintained on file.

Treasurer's Records

Our audit procedures revealed that one employee's payroll increase was incorrectly calculated which resulted in an overpayment to the employee of approximately \$700. Also, we noted that one employee was paid a certain hourly rate for overtime related to additional recreation duties. However, that overtime rate was not authorized in the annual salary resolution. As the amounts related to these items are minor in amount, a formal recommendation is not judged to be warranted.

Borough Minutes

Although the ordinances and resolutions were available for audit review, as of the date of this report, certain Borough Council meeting minutes for July – September 2017 have not been prepared.

It is recommended that the July – September 2017 Borough Council minutes be prepared.

Management's Response

Every effort will be made to prepare the minutes for July – September 2017. Due to turnover in this position in 2017, the preparation of the minutes for these months has been delayed.

BOROUGH OF PEAPACK AND GLADSTONE
COMMENTS AND RECOMMENDATIONS
(Continued)

Borough Clerk's Records

During our review of the Borough Clerk's cashbook, we noted that certain collections were not recorded in the cashbook.

It is recommended that every effort be made to ensure that all collections are recorded in the Clerk's cashbook.

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.

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 cancellation.

Improvement Authorization Balances

There are various older improvement authorization balances in the General and Sewer Utility Capital Funds which should be reviewed for possible cancellation.

Status of Prior Year Recommendations

The prior year recommendations with respect to segregation of duties, dog license fee collections being deposited within 48 hours of receipts and tickets included on the tickets assigned but not issued report not being adequately controlled and accounted for, were not resolved and are included in the current year recommendations. The prior year recommendations regarding the dog license applications being in accordance with the adopted ordinance, a foreclosed property register being maintained, payroll registers and reports being reviewed in order to ensure accuracy and completeness and a formal cashbook being maintained by the Police Department for all collections were resolved in the current year.

BOROUGH OF PEAPACK AND GLADSTONE
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Bids be advertised when accumulated payments to a vendor exceed the bid threshold.
2. Copies of voided tickets be maintained on file for audit review.
3. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
4. Dog license fee collections are deposited within 48 hours as per state statute and copies of the monthly state dog license reports are maintained on file.
5. The July – September 2017 Borough Council minutes be prepared.
6. Every effort be made to ensure that all collections are recorded in the Clerk's cashbook.

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