

OFFICIAL STATEMENT DATED APRIL 25, 2018

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: (See "RATINGS" herein)

In the opinion of GluckWalrath LLP, Bond Counsel, assuming continuing compliance by the Borough with certain covenants described herein and with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Bonds, under statutes and court decisions existing on the date of original delivery of the Bonds, interest on the Bonds is excluded from gross income of the holders of the Bonds for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations. No other opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$14,900,000
BOROUGH OF MILLTOWN,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2018

consisting of:

\$8,745,000 General Improvement Bonds, Series 2018A,
\$2,295,000 Water/Sewer Improvement Bonds, Series 2018B, and
\$3,860,000 Electric Improvement Bonds, Series 2018C
(BOOK-ENTRY-ONLY) (CALLABLE)

Dated: Date of Delivery

Due: January 15, as shown below

The \$14,900,000 aggregate principal amount of General Obligation Bonds, Series 2018, consisting of \$8,745,000 General Improvement Bonds, Series 2018A (the "General Improvement Bonds"); \$2,295,000 Water/Sewer Improvement Bonds, Series 2018B (the "Water/Sewer Improvement Bonds"); and \$3,860,000 Electric Improvement Bonds, Series 2018C (the "Electric Improvement Bonds" and, collectively with the General Improvement Bonds and Water/Sewer Improvement Bonds, the "Bonds") are general obligations of the Borough of Milltown, County of Middlesex, State of New Jersey (the "Borough"), for which the full faith and credit of the Borough are pledged. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds of each series will be issued in fully registered book-entry-only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry-only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof.

Interest on the Bonds will be payable semiannually on November 1 and May 1 in each year until maturity, commencing November 1, 2018. The principal of and the interest due on the Bonds will be paid to DTC by the Borough. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding October 15 and April 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "THE BONDS" under the subheading entitled "Optional Redemption".

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), bond ordinances duly adopted by the Borough Council on the dates set forth herein and by a resolution duly adopted by the Borough Council on December 18, 2017. The proceeds of the Bonds will be used to: (i) permanently finance the cost of various capital improvements in and by the Borough; and (ii) pay the costs of issuing the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



The Bonds are not debt or obligations, legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Borough.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by GluckWalrath, LLP, Trenton and Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Borough by the Borough Attorney, John E. Bruder, Esq., Bound Brook, New Jersey. It is anticipated that the Bonds will be available for delivery through DTC on or about May 10, 2018.

UBS FINANCIAL SERVICES INC.

\$14,900,000
BOROUGH OF MILLTOWN,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2018
consisting of:
\$8,745,000 General Improvement Bonds, Series 2018A,
\$2,295,000 Water/Sewer Improvement Bonds, Series 2018B, and
\$3,860,000 Electric Improvement Bonds, Series 2018C
(BOOK-ENTRY-ONLY) (CALLABLE)

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS*

Maturity (May 1)	General Improvement Principal	Water/Sewer Improvement Principal	Electric Improvement Principal	Aggregate Principal	Interest Rate	Yield	CUSIP*
2019	\$270,000	\$75,000	\$125,000	\$470,000	5.00%	1.82%	601362HX7
2020	270,000	75,000	125,000	470,000	5.00	1.95	601362HY5
2021	270,000	75,000	125,000	470,000	5.00	2.08	601362HZ2
2022	275,000	75,000	125,000	475,000	5.00	2.18	601362JA5
2023	275,000	75,000	125,000	475,000	5.00	2.30	601362JB3
2024	275,000	75,000	125,000	475,000	5.00	2.40	601362JC1
2025	310,000	75,000	125,000	510,000	5.00	2.50	601362JD9
2026	520,000	145,000	125,000	790,000	5.00	2.60	601362JE7
2027	540,000	145,000	125,000	810,000	4.00	2.77	601362JF4
2028	540,000	145,000	245,000	930,000	3.00	3.00	601362JG2
2029	540,000	145,000	245,000	930,000	3.00	3.10	601362JH0
2030	540,000	145,000	245,000	930,000	3.00	3.20	601362JJ6
2031	540,000	145,000	250,000	935,000	3.125	3.30	601362JK3
2032	540,000	150,000	250,000	940,000	3.25	3.40	601362JL1
2033	540,000	150,000	250,000	940,000	3.25	3.45	601362JM9
2034	500,000	150,000	250,000	900,000	3.375	3.50	601362JN7
2035	500,000	150,000	250,000	900,000	3.375	3.55	601362JP2
2036	500,000	100,000	250,000	850,000	3.50	3.60	601362JQ0
2037	500,000	100,000	250,000	850,000	3.50	3.62	601362JR8
2038	500,000	100,000	250,000	850,000	3.50	3.64	601362JS6

* CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF MILLTOWN,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
39 Washington Avenue
Milltown, NJ 08850-1238
(732) 828-2100**

MAYOR
Eric A. Steeber

BOROUGH COUNCIL
Ronald Dixon, Council President
Randy Farkas
Doriann Kerber
Nicholas Ligotti
Trina Mehr
Richard Revolinsky

BUSINESS ADMINISTRATOR/CHIEF FINANCIAL OFFICER
Denise Biancamano

BOROUGH CLERK
Gabriella Siboni

BOROUGH ATTORNEY
John E. Bruder, Esquire
Bound Brook, New Jersey

AUDITOR
Samuel Klein and Company
Freehold, New Jersey

BOND COUNSEL
GluckWalrath, LLP
Trenton and Red Bank, New Jersey

MUNICIPAL ADVISOR
Phoenix Advisors, LLC
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Borough to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Borough. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

The Underwriter (as defined herein) reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but such Underwriter does not guarantee the accuracy or completeness of such information.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the office of the Clerk of the Borough during normal business hours.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the Borough, will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

The order and placement of the materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

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**OFFICIAL STATEMENT
OF THE
BOROUGH OF MILLTOWN,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

**RELATING TO
\$14,900,000
GENERAL OBLIGATION BONDS, SERIES 2018
consisting of:
\$8,745,000 General Improvement Bonds, Series 2018A,
\$2,295,000 Water/Sewer Improvement Bonds, Series 2018B, and
\$3,860,000 Electric Improvement Bonds, Series 2018C
(BOOK-ENTRY-ONLY) (CALLABLE)**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Milltown (the “Borough”), in the County of Middlesex (the “County”), New Jersey (the “State”), in connection with the sale and issuance of \$14,900,000 aggregate principal amount of General Obligation Bonds, Series 2018, consisting of \$8,745,000 General Improvement Bonds, Series 2018A (the “General Improvement Bonds”); \$2,295,000 Water/Sewer Improvement Bonds, Series 2018B (the “Water/Sewer Improvement Bonds”); and \$3,860,000 Electric Improvement Bonds, Series 2018C (the “Electric Improvement Bonds” and, collectively with the General Improvement Bonds and the Water/Sewer Improvement Bonds, the “Bonds”).

THE BONDS

General Description

The Bonds will be dated the date of delivery and will mature on May 1 in each of the years and in the principal amounts as shown on the inside front cover hereof. The interest on the Bonds will be payable semi-annually beginning November 1, 2018 and on each May 1 and November 1 thereafter until maturity, or earlier redemption. The record dates for the Bonds are each preceding April 15 and October 15, respectively (the “Record Dates”). The Bonds will be issued in book-entry form only.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and interest thereon. The Borough is obligated to levy *ad valorem* taxes upon all of the taxable property within the Borough for the payment of principal of and interest on the Bonds without limitation as to rate or amount.

Optional Redemption

The Bonds maturing prior to May 1, 2027 are not subject to optional redemption. The Bonds maturing on or after May 1, 2027 shall be subject to redemption at the option of the Borough, in whole or in part, on any date on or after May 1, 2026 at a price of 100% of the principal amount being redeemed, plus unpaid accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days

prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed Bond Registrar. So long as DTC (the “Depository Trust Company”) (or any successor thereto) acts as securities depository for the Bonds (“Securities Depository”), such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the respective redemption price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

Authorization and Purpose of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), and are authorized by various bond ordinances duly adopted by the Borough Council on the dates set forth in the charts on the following pages and published and approved as required by law, and by a resolution adopted by the Borough Council on December 18, 2017 (the “Resolution”).

The bond ordinances authorizing the Bonds were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough. Such estoppel period has concluded as of the date of this Official Statement.

The proceeds of the Bonds will be used to: (i) finance the cost of various capital improvements in and by the Borough in the amount of \$15,034,000; and (ii) pay the costs of issuing the Bonds.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described on the following tables by ordinance number, description, and the amount of Bonds to be issued.

A. General Improvement Bonds:

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount of Bonds to be Issued</u>
16-1440, as amended by 17-1450	Various Capital Improvements and Acquisition of Various Equipment, adopted December 12, 2016 and June 20, 2017	\$8,745,000
	Total:	\$8,745,000

B. Water/Sewer Improvement Bonds:

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount of Bonds to be Issued</u>
16-1440, as amended by 17-1450	Various Water/Sewer Capital Improvements and Acquisition of Various Equipment and Materials, adopted December 12, 2016 and June 20, 2017	\$2,295,000
	Total:	\$2,295,000

C. Electric Improvement Bonds:

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount of Bonds to be Issued</u>
16-1440, as amended by 17-1450	Various Electrical Capital Improvements and Acquisition of Various Equipment and Materials, adopted December 12, 2016 and June 20, 2017	\$3,860,000
	Total:	\$3,860,000

Payment of Bonds

The Bonds are general obligations of the Borough for which the full faith and credit of the Borough will be pledged. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough for the payment of principal of and interest on the Bonds without limitation as to rate or amount. See “SECURITY FOR THE BONDS” herein.

Denominations and Place of Payment

The Bonds are issuable only as fully registered bonds without coupons, and when issued will be in the form of one certificate per maturity for each series and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple of \$1,000 in excess thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

SECURITY FOR THE BONDS

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal and redemption premium, if any, of and the interest on the Bonds. The Borough is required by law to levy *ad valorem* taxes on all taxable real property in the Borough for the payment of the principal and redemption premium, if any, of and the interest on the Bonds, without limitation as to rate or amount.

The Borough

The Borough is located in the central part of the County. See Appendix “A” for demographic and statistical information concerning the Borough.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 23, 2018, KBRA issued a financial guaranty surveillance report in which it affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P issued a research update report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At December 31, 2017:

- The policyholders' surplus of AGM was approximately \$2,254 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,108 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,657 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any

subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

BOOK-ENTRY-ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as each such term is hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Bonds and the Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity for each series of the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their

purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough or its designated paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds, if any, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or its designated paying agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Borough, or the Borough's designated paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its designated paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Borough or its designated paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

NEITHER THE BOROUGH NOR ITS DESIGNATED PAYING AGENT WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "CONTINUING DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough or its designated paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Borough or its designated paying agent, together with the duly executed assignment in form satisfactory to the Borough or its designated paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Borough or its designated paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft mailed on each interest payment date to the registered owners thereof as of the close of business on the Record Dates.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law generally governs the issuance of bonds to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes, except for the issuance of refunding bonds. All bonds issued by the Borough are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past

three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As indicated in Appendix "A", the Borough has not exceeded its statutory debt limit.

Exceptions to Debt Limits - Extensions of Credit

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a “reserve for uncollected taxes” in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the “Current” or operating budget.

Appropriation “CAP”

A provision of law known as the New Jersey “CAP Law” (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations, subject to various exceptions. The payment of debt service is an exception from this limitation. The CAP formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate.” The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the CAP Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate, subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.4% or less.

Additionally, new legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both budget “CAP” and the tax levy limitation. Neither the tax levy limitation nor the “CAP” law, however, limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable property within the boundaries of the Borough to pay debt service on its bonds and notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit’s accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services’ “Requirements of Audit”, includes recommendations for improvement of the local unit’s financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the Borough is on file with the Clerk and is available for review during business hours.

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation, by using the available borrowing capacity of the Borough. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Borough, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds, and has covenanted not to take any action or permit any action that would cause the interest on the Bonds to be included in gross income under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals. GluckWalrath LLP, Trenton and Red Bank, New Jersey ("Bond Counsel") will not independently verify the accuracy of those certifications and representations.

Assuming the Borough observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing statutes and court decisions existing on the date of original delivery of the Bonds, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations but that for taxable years that began on or before December 31, 2017, interest on the Bonds will be included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations. The corporate alternative minimum tax has been repealed for taxable years beginning on or after January 1, 2018. See "Certain Federal Tax Considerations" below.

State Taxes

In the opinion of Bond Counsel, under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any net gains from the sale of the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act.

Original Issue Premium

The initial public offering price of certain Bonds may be greater than the stated redemption price thereof at maturity (the "Premium Bonds"). The difference between the initial public offering price for the Premium Bond and the stated redemption price at maturity is "original issue premium." For federal income tax purposes original issue premium is amortizable periodically over the term of the Premium Bonds through reductions in the holder's tax basis for the Premium Bonds for determining gain or loss from sale or redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather than creating a deductible expense or loss. Purchasers of the Bonds should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of the Premium Bonds.

Original Issue Discount

The initial public offering price of certain Bonds may be less than the stated redemption price thereof at maturity (each a “Discount Bond”). The difference between the initial public offering price for any such Discount Bond and the stated redemption price at maturity is “original issue discount.” For federal income tax purposes, original issue discount on a Discount Bond accrues to the original holder of the Discount Bond over the period of its maturity based on the constant yield method compounded annually as interest with the same tax exemption and alternative minimum tax status (if applicable) as regular interest. The accrual of original issue discount increases the holder’s tax basis in the Discount Bond for determining taxable gain or loss on the maturity, redemption, prior sale or other disposition of a Discount Bond. Purchasers of the Bonds should consult their tax advisors for an explanation of the accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of Bonds with original issue discount.

Certain Federal Tax Considerations

Ownership of the Bonds may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Bonds. The nature and extent of the tax benefit to a taxpayer of ownership of the Bonds will generally depend upon the particular nature of such taxpayer or such taxpayer’s own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Bonds should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Bonds.

Backup Withholding

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the IRs in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Section 265 Qualification

The Code denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which must be so designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

The Borough is not designating the Bonds as qualified for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations under Section 265 of the Code.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption “TAX MATTERS”. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Bonds from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

CONTINUING DISCLOSURE

The Borough has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Borough to the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access Dataport (“EMMA”) and to comply with the provisions of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the “Certificate”) to be executed on behalf of the Borough by its Business Administrator/Chief Financial Officer, in the form appearing in APPENDIX “C” attached hereto. Such Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the MSRB.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) annual debt statements for the fiscal years ending December 31, 2012 and 2013; and (ii) operating data for the fiscal years ending December 31, 2012. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of: (i) annual debt statements; and (ii) operating data, all as described above, and late filing notices and event notices in connection with (a) certain bond insurer rating changes in 2013 and 2014. Such notices of events and late filings have since been filed with EMMA. The Borough appointed Phoenix Advisors, LLC in December of 2013 to serve as continuing disclosure agent.

LITIGATION

Upon delivery of the Bonds, the Borough shall furnish a certificate of the Borough Attorney, John E. Bruder, Esquire, Bound Brook, New Jersey (the "Borough Attorney"), dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or, to the Borough Attorney's knowledge, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough or adversely affect the power of the Borough to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds or notes, which has not been disclosed in this Official Statement.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401 *et seq.*, as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision.

The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory or charter provisions for actions taken under the reorganization plan.

CERTAIN REFERENCES

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the Bonds, the bond ordinances and the Bond Resolution of the Borough and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entireties by express reference to the complete provisions thereof. Copies of the bond ordinances and the Resolution will be furnished by the Borough on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CERTIFICATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein relating to the Borough are true and correct in all material respects and it will confirm to the Underwriter (as defined herein), by a certificate signed by the Business Administrator/Chief Financial Officer, that to her knowledge such descriptions and statements, as of the date hereof, and as of the date of delivery of the Bonds, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

All other information has been obtained from sources which the Borough considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Neither Bond Counsel nor the Municipal Advisor (as defined herein) has participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") has assigned an underlying rating of "AA-" to the Bonds. S&P and Kroll Bond Rating Agency, Inc. ("KBRA" and together with S&P, the "Rating Agencies") are expected to assign ratings of "AA" and "AA+", respectively, to the Bonds based upon the issuance of the Insurance Policy from AGM at the time of delivery of the Bonds. The ratings reflect only the views of the Rating Agencies and an explanation of the significance of such ratings may only be obtained from the Rating Agencies. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings may not be raised, lowered or withdrawn entirely, if in the Rating Agencies judgment, circumstances so warrant. Any

downward change in, or withdrawal of such ratings, may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by UBS Financial Services (the “Underwriter”) at a purchase price of \$15,058,648.56 (the “Purchase Price”). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Purchase Price reflects a par amount of the Bonds of \$14,900,000.00 plus an original issue premium of \$391,012.95, less an Underwriter’s discount in the amount of \$200,114.39, less an insurance premium of \$32,250.00. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Underwriter without notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough with respect to the issuance of the Bonds (the “Municipal Advisor”). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix “D”. Certain legal matters will be passed upon for the Borough by the Borough Attorney.

FINANCIAL STATEMENTS

Appendix “B” contains: (i) certain unaudited financial data of the Borough for the Borough’s fiscal year ending December 31, 2017; and (ii) certain audited financial data of the Borough for the Borough’s fiscal year ending December 31, 2016. The audited financial data was extracted from the report prepared by Samuel Klein and Company, Freehold, New Jersey, to the extent and for the period set forth in their report appearing in Appendix “B”, and are included herein in reliance upon the authority of such firm.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Borough’s Business Administrator/Chief Financial Officer, 39 Washington Avenue, Milltown, New Jersey 08850-1238, telephone (732) 828-2100 extension 122 or to its Municipal Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Borough, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough (financial or otherwise) since the date hereof.

This Official Statement has been duly executed and delivered by the Borough.

**BOROUGH OF MILLTOWN,
IN THE COUNTY OF MIDDLESEX, NEW
JERSEY**

By: /s/ Denise Biancamano
Denise Biancamano,
Business Administrator/Chief Financial Officer

Dated: April 25, 2018

APPENDIX A

GENERAL INFORMATION REGARDING THE BOROUGH

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INFORMATION REGARDING THE BOROUGH

The following material presents certain economic and demographic information of the Borough of Milltown (the "Borough").

General Information

The Borough was incorporated in 1896 and is located in Middlesex County (the "County") and is an attractive middle class residential, small business and light industrial community situated in the Route 1 corridor. The Borough has experienced continued growth in industrial, office, retail and research/development building during the past decade. The Borough is located four miles from the City of New Brunswick, the County seat, thirty miles from New York City and fifty miles from the City of Philadelphia. The New Jersey Turnpike passes through the southeastern boundary of the Borough, with interchange #9 located in the Township of East Brunswick, within one mile of the Borough. U.S. Highway No. 1 is located within a half mile of the Borough. Rail passenger service is provided by New Jersey Transit, Amtrak and ConRail located in New Brunswick.

With close proximity to the City of New Brunswick to the north and Princeton to the south, many recreational, educational and cultural opportunities exist for the Borough's residents. The Borough is also within a one hour drive of many of the recreational areas along the New Jersey coastline.

Form of Government

The governing body of the Borough consists of a Mayor who is elected for a four (4) year term and a six (6) member Council elected for staggered three (3) year terms. The Mayor leads the executive branch of the Borough and also presides at meetings of the governing body. The Council members perform the legislative function of the Borough and each Council member also serves as a chairperson of one of the six (6) standing committees of the Council and acts as liaison between the operating departments and governing body.

Utilities

The Borough operates an electric utility and its customers are billed monthly based on usage. The Borough also operates a water-sewer utility and its customers are billed quarterly based on usage.

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions and Benefits within the New Jersey Department of Treasury (the "Division") is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

INFORMATION REGARDING THE BOROUGH (CONTINUED)

Pension Information

Employees who are eligible to participate in a pension plan are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2017, which is based upon the annual billings received from the Division, amounted to \$284,424 for PERS and \$330,439 for PFRS.

Employment and Unemployment Comparison

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County and the State of New Jersey.

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
Borough				
2016	4,358	4,200	158	3.7%
2015	4,356	4,107	189	4.3%
2014	4,283	4,059	224	5.2%
2013	4,532	4,171	355	7.8%
2012	4,250	3,929	320	7.5%
County				
2016	442,447	422,948	19,499	4.4%
2015	440,343	418,408	21,935	5.0%
2014	432,112	406,174	25,938	6.0%
2013	443,825	410,919	32,906	7.4%
2012	443,880	406,150	37,730	8.5%
State				
2016	4,448,301	4,227,541	220,760	5.0%
2015	4,543,771	4,289,726	254,045	5.6%
2014	4,518,714	4,218,135	300,279	6.6%
2013	4,537,821	4,166,029	371,792	8.2%
2012	4,595,461	4,159,287	436,174	9.5%

INFORMATION REGARDING THE BOROUGH (CONTINUED)

Income (as of 2016)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$ 101,685	\$ 79,593	\$ 72,093
Median Family Income	115,331	93,800	88,335
Per Capita Income	42,080	34,674	36,582

Source: U.S. Bureau of the Census, 2016 American Community Survey 5-Year Estimates

Population

<u>Year</u>	<u>Borough</u>	<u>Percent Change</u>	<u>County</u>	<u>Percent Change</u>	<u>State</u>	<u>Percent Change</u>
2016 Estimate	7,132	3.47 %	837,073	3.36 %	8,958,013	1.89
2010	6,893	(1.53)	809,858	7.96	8,791,894	4.49
2000	7,000	0.46	750,162	11.67	8,414,350	8.85
1990	6,968	(2.35)	671,780	12.74	7,730,188	4.96
1980	7,136	10.29	595,893	2.07	7,364,823	2.74
1970	6,470		583,813		7,168,164	

Source: U.S. Department of Commerce, Bureau of the Census

TEN LARGEST TAXPAYERS AS OF DECEMBER 31, 2017

<u>Taxpayer</u>	2017 <u>Assessed Valuation</u>
Target Corporation	\$ 6,087,900
HD Development of Maryland Inc.	5,077,400
Heritage Plaza	3,881,600
SB Building Associates*	3,406,500
Transcontinental Gas Pipeline	2,208,500
SB Milltown Industrial Realty	1,275,000
Henry Plaza	1,217,500
Peoples Plaza	1,200,000
Heritage of Milltown	1,169,500
Arisa Realty Co.	1,133,600

*: Under Appeal

Source: Borough of Milltown, Tax Assessor's Office.

PROPERTY VALUATIONS

<u>Year</u>	Net <u>Assessed Valuations</u>	Equalized <u>Valuations</u>	Percent of Net Assessed to Equalized <u>Valuations</u>
2017	\$ 446,460,900	\$ 882,224,874	50.61%
2016	447,408,700	858,236,200	52.35%
2015	447,789,600	857,046,579	52.73%
2014	449,462,134	865,099,041	52.45%
2013	450,580,758	912,984,761	49.81%

Source: Middlesex County Board of Taxation, Abstract of Ratables.

ASSESSED VALUATIONS

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Land and Improvements</u>	<u>Personal Property</u>	<u>Total Assessed Valuations</u>
2017	\$ 203,249,400	\$ 243,244,500	\$ 446,493,900	\$ None	\$ 446,493,900
2016	203,254,800	244,153,900	447,408,700	None	447,408,700
2015	203,368,100	244,421,500	447,789,600	None	447,789,600
2014	203,917,000	245,395,500	449,312,500	149,500	449,462,000
2013	203,865,900	246,494,800	450,360,700	220,058	450,580,758

Source: Borough of Milltown, Tax Assessor's Office.

TABULATION OF RESIDENTIAL UNITS BASED ON NUMBER OF UNITS ASSESSED TO ADJUSTED TRUE VALUE FOR THE YEARS 2013-2017

<u>Year</u>	<u>No. of Units</u>	<u>Residential* Class Assessed Valuations</u>	<u>Equalized Valuation Ratio to True Value (1)</u>	<u>Estimated True Value</u>	<u>Average Unit Estimated True Value</u>
2017	2,398	\$ 392,451,000	50.08%	\$ 783,648,163	\$ 326,792.39
2016	2,394	392,035,200	50.81%	771,570,951	322,293.63
2015	2,397	392,502,800	52.35%	749,766,571	312,793.73
2014	2,397	393,097,500	52.45%	749,470,925	312,670.39
2013	2,394	393,790,400	48.91%	805,132,692	336,312.74

Source: Borough of Milltown, Tax Assessor's Office.

* Includes Apartments.

(1) State of New Jersey, Department of Treasury, Division of Taxation Equalized Valuation.

ASSESSED VALUATION OF REAL PROPERTY BY CLASS

	Assessed Valuation				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential (Inc. Apts.)	\$ 392,451,000	\$ 392,035,200	\$ 392,502,800	\$ 393,097,500	\$ 393,790,700
Industrial	5,567,400	7,427,400	7,427,400	8,027,400	8,027,400
Commercial	43,261,300	43,732,800	43,970,400	44,283,600	44,501,100
Vacant Land	5,181,200	4,213,300	3,889,000	3,904,000	4,041,500
Machinery and Equipment	<u>None</u>	<u>None</u>	<u>None</u>	<u>149,634</u>	<u>220,058</u>
Totals	\$ <u>446,460,900</u>	\$ <u>447,408,700</u>	\$ <u>447,789,600</u>	\$ <u>449,462,134</u>	\$ <u>450,580,758</u>

Source: Borough of Milltown, Tax Assessor's Office.

TAX RATES

Year	General Tax Rate (1)					County Equalization Ratio	Effective Tax Rate (2)
	Municipal		Local		County		
	Regular	Library	School	County			
2017	\$ 1.176	\$ 0.065	\$ 3.478	\$ 0.787	\$ 5.506	50.81%	\$ 2.786
2016	1.147	0.063	3.349	0.751	5.310	52.35%	2.768
2015	1.092	0.063	3.283	0.761	5.199	52.73%	2.716
2014	1.065	0.063	3.125	0.763	5.016	52.45%	2.606
2013	1.035	0.067	2.996	0.773	4.871	49.81%	2.404

Source: Middlesex County Board of Taxation, Abstract of Ratables, Calendar Year Tax Rates.

- (1) Apportionment per \$100 of Assessed Valuation.
- (2) General Tax Rate multiplied by County Equalized Ratio.

TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2017	\$ 24,598,395	\$ 24,192,810	98.35%
2016	23,803,103	23,305,387	97.91%
2015	23,280,723	22,898,188	98.36%
2014	22,555,381	22,149,868	98.20%
2013	21,965,079	21,580,925	98.25%

Source: Borough of Milltown, Summary of Audit Reports for 2013-2016, Annual Financial Statement (Unaudited) for 2017.

*An accelerated Tax Sale was held annually through December 31, 2015.

DELINQUENT TAXES AND TAX TITLE LIENS

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$ 179,396.77	\$ 1,827,563.75	\$ 2,006,960.52	8.16%
2016	1,635,672.10	121,235.57	1,756,907.67	7.38%
2015	1,292,927.53	19,417.60	1,312,345.13	5.64%
2014	957,437.67	13,777.74	971,215.41	4.31%
2013	633,579.92	5,411.79	638,991.71	2.91%

Source: Borough of Milltown, Summary of Audit Reports for 2013-2016, Annual Financial Statement (Unaudited) for 2017.

*An accelerated Tax Sale was held annually through December 31, 2015.

PROPERTY ACQUIRED BY TAX LIEN LIQUIDATION

<u>Year</u>	<u>Amount</u>
2017	\$ 3,400.00
2016	3,400.00
2015	3,400.00
2014	3,400.00
2013	3,400.00

Source: Borough of Milltown, Summary of Audit Reports for 2013-2016, Annual Financial Statement (Unaudited) for 2017.

ELECTRIC UTILITY LEVIES AND COLLECTIONS

<u>Year</u>	<u>Levy</u>	<u>Cash Collections (*)</u>
2017	\$ 7,620,096.39	\$ 7,688,092.95
2016	7,941,779.93	7,983,114.92
2015	8,186,468.86	8,094,391.90
2014	7,974,551.89	8,105,594.29
2013	8,280,024.00	8,083,644.15

Source: Borough of Milltown, Summary of Audit Reports for 2013-2016, Annual Financial Statement (Unaudited) for 2017.

* Includes collections of prior year unpaid balances.

WATER-SEWER UTILITY LEVIES AND COLLECTIONS

<u>Year</u>	<u>Levy</u>	<u>Cash Collections (*)</u>
2017	\$ 2,389,073.47	\$ 2,364,977.17
2016	2,350,030.01	2,361,545.68
2015	2,327,331.82	2,361,249.30
2014	2,315,606.45	2,323,595.36
2013	2,310,866.50	2,222,692.02

Source: Borough of Milltown, Summary of Audit Reports for 2013-2016, Annual Financial Statement (Unaudited) for 2017.

* Includes collections of prior year unpaid balances.

FUND BALANCES APPROPRIATED

<u>Year</u>	<u>Balance December 31</u>	<u>Appropriated in Budget of Succeeding Year</u>	<u>Transferred to Current Fund as Miscellaneous Revenue in Budget of Succeeding Year</u>
<u>Current Fund</u>			
2017	\$ 1,034,292.42	\$ 861,500.00	N/A
2016	917,707.45	861,500.00	N/A
2015	728,214.89	675,000.00	N/A
2014	477,634.47	447,000.00	N/A
2013	502,604.36	330,000.00	N/A
<u>Water-Sewer Utility Operating Fund</u>			
2017	\$ 502,517.37	\$ 500,000.00	\$ None
2016	951,578.36	796,651.73	None
2015	975,773.64	500,814.15	None
2014	858,410.07	338,803.55	None
2013	622,048.60	206,413.04	None
<u>Electric Utility Operating Fund</u>			
2017	\$ 2,303,114.52	\$ None	\$ 1,172,341.00
2016	2,884,103.53	None	1,614,341.00
2015	2,278,596.28	None	1,172,341.00
2014	885,016.40	None	622,341.00
2013	1,107,817.98	50,000.00	622,341.00

Source: Borough of Milltown, Summary of Audit Reports for 2013-2016, Annual Financial Statement (Unaudited) for 2017.
2018 Municipal Budget as Introduced.

DEBT STATEMENT AND BORROWING POWER
AS OF DECEMBER 31, 2017

<u>Local District School Debt</u>		
Serial Bonds	\$	<u>3,992,000.00</u>
Total Local District School Debt		\$ 3,992,000.00
<u>Water-Sewer Utility</u>		
Serial Bonds Issued and Outstanding	\$	1,958,000.00
Bond Anticipation Notes Issued		72,000.00
NJEIT Loan		4,265,846.13
Authorized But Not Issued		<u>3,820,028.00</u>
Total Water-Sewer Utility Debt		\$ 10,115,874.13
<u>Electric Utility</u>		
Serial Bonds Issued and Outstanding	\$	1,379,000.00
Bond Anticipation Notes Issued		114,000.00
NJEIT Loan		10,400,593.23
Authorized But Not Issued		<u>4,330,000.00</u>
Total Electric Utility Debt		\$ 16,223,593.23
<u>General Debt</u>		
Serial Bonds Issued and Outstanding	\$	3,480,000.00
Bond Anticipation Notes Issued		1,953,000.00
Green Trust Loan		163,771.94
Authorized But Not Issued		<u>9,984,292.58</u>
Total General Debt		\$ <u>15,581,064.52</u>
Total Gross Debt		\$ <u><u>45,912,531.88</u></u>

Source: Borough Records and Annual Debt Statements.

DEBT STATEMENT AND BORROWING POWER
AS OF DECEMBER 31, 2017
(CONTINUED)

Deductions - Allowed by Statute to Determine	
<u>Net Debt for Borrowing Power Purposes</u>	
Local District School Debt	\$ 3,992,000.00
Water-Sewer Utility Self-Liquidating Debt	10,115,874.13
Electric Utility Self-Liquidating Debt	<u>16,223,593.23</u>
 Total Deductions	 \$ <u>30,331,467.36</u>
 Total Net Debt - December 31, 2017	 \$ <u>15,581,064.52</u>
 Percentage of Net Debt of Equalized Valuation Basis	 <u>1.779%</u>
 Three Year Average Equalized Valuations	 \$ <u>875,808,120.33</u>
Borrowing Power (3½% Equalized Valuation)	\$ 30,653,284.21
Statutory Net Debt	<u>15,581,064.52</u>
Remaining Borrowing Power	\$ <u>15,072,219.69</u>

Source: Borough Records and Annual Debt Statements.

LOCAL SCHOOL DISTRICT DEBT INCURRING CAPACITY
AS OF DECEMBER 31, 2017

3% of Average Equalized Valuation Basis	\$ 26,274,243.61
Net Debt Issued	<u>3,992,000.00</u>
Additional Borrowing Power	<u>\$ 22,282,243.61</u>

OVERLAPPING DEBT
DECEMBER 31, 2016

County of Middlesex Gross Debt	\$ <u>476,938,580</u>
Borough of Milltown Percentage of County Tax Base	<u>0.8518%</u>
Gross Overlapping Debt Allocated to Borough of Milltown	\$ 4,062,562.82
Gross Municipal Debt	<u>45,912,531.88</u>
Combined Gross Debt	<u>\$ 49,975,094.70</u>
Per Capita Combined Gross Debt (1)	<u>\$ 7,250.12</u>

Source: Borough Finance Records and County of Middlesex, Comptroller's Office.
(1) Population Based on 2010 U.S. Census 6,893.

HISTORICAL DATA OF BOROUGH DEBT

The following table sets forth the gross debt issued and authorized but not issued by the Borough in relation to the estimated true value of real estate as calculated by the State of New Jersey, Department of the Treasury, Division of Taxation.

<u>Year</u>	<u>Equalized Valuation Ratio to True Value</u>	<u>True Value of Real Property</u>	<u>Gross Debt Issued and Authorized But Not Issued</u>	<u>Percentage of Gross Debt to Estimated True Value</u>
2017	50.08%	\$ 891,495,407.00	\$ 41,920,531.88	4.70%
2016	50.81%	880,552,450.00	34,371,913.09	3.90%
2015	52.35%	855,376,504.00	35,961,958.74	4.20%
2014	52.73%	852,100,232.00	35,854,407.41	4.21%
2013	52.45%	858,647,664.00	34,342,235.03	4.00%

Source: Borough of Milltown, Summary of Audit Reports for 2013-2016, Annual Debt Statement for 2017, State of New Jersey Table of Equalized Valuation 2013-2017.

CAPITAL BUDGET

In accordance with the Local Budget Law, a municipality with a population of less than 10,000 may adopt a three (3) year capital budget program that is part of the annual budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds but sets forth a plan of the possible capital expenditures that the local unit may contemplate over the next three years.

The following amounts for various improvements were included in the 2018-2020 Capital Budget is adopted and amended:

2018	\$ 3,135,000.00
2019	None
2020	10,825,000.00

Source: Borough of Milltown 2018 Municipal Budget as Introduced.

SUMMARY OF 2018 INTRODUCED BUDGET

	<u>General</u> <u>Budget</u>	<u>Percentage</u>	<u>Water-</u> <u>Sewer</u> <u>Utility</u>	<u>Percentage</u>	<u>Electric</u> <u>Utility</u>	<u>Percentage</u>
<u>REVENUES</u>						
Surplus Anticipated	\$ 861,500.00	8.67%	\$ 500,000.00	14.65%		
Local Revenues	559,516.00	5.63%	142,900.00	4.19%		
State Aid	387,169.00	3.90%				
Uniform Construction Code Fees	110,000.00	1.11%				
Other Special Items	1,929,092.99	19.41%				
Rents			2,769,934.87	81.16%	\$ 7,634,817.00	100.00%
Delinquent Taxes	102,000.00	1.03%				
Amount to be Raised by Taxes:						
Library	297,164.84	2.99%				
Regular	5,693,123.87	57.28%				
Total Anticipated Revenues	\$ <u>9,939,566.70</u>	<u>100.00%</u>	\$ <u>3,412,834.87</u>	<u>100.00%</u>	\$ <u>7,634,817.00</u>	<u>100.00%</u>
<u>OPERATING EXPENSES</u>						
Operations Within "CAPS":						
Salaries and Wages	\$ 4,006,120.00	40.30%				
Other Expenses	2,455,467.00	24.70%				
Statutory Expenditures	921,020.34	9.27%				
Operations Excluded from "CAPS":						
Salaries and Wages			\$ 366,500.00	10.74%	\$ 715,000.00	9.35%
Other Expenses	761,285.00	7.66%	855,050.00	25.05%	1,076,050.00	14.09%
Bulk Power Purchase					4,675,000.00	61.23%
Bulk Water Purchase			504,000.00	14.77%		
Sewer Disposal			692,000.00	20.28%		
Sewer Back Charges			46,210.73	1.35%		
Capital Improvements	35,000.00	0.35%	100,000.00	2.93%	56,000.00	0.73%
Debt Service	857,448.00	8.63%	770,517.00	22.58%	963,532.00	12.62%
Statutory Expenditures	47,113.09	0.47%	78,557.14	2.30%	149,235.00	1.95%
Library	297,164.84	2.99%				
Reserve for Uncollected Taxes	558,948.43	5.62%				
Total Operating Expenses	\$ <u>9,939,566.70</u>	<u>100.00%</u>	\$ <u>3,412,834.87</u>	<u>100.00%</u>	\$ <u>7,634,817.00</u>	<u>100.00%</u>

Source: Borough of Milltown 2018 Introduced Budget.

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH

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FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 30, 2016

**BOROUGH OF MILLTOWN
COUNTY OF MIDDLESEX, NEW JERSEY**

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Borough of Milltown

Middlesex County, New Jersey



39 WASHINGTON AVENUE
MILLTOWN, NEW JERSEY 08850
(732) 828-2100 (FAX) 732-246-7497
EXT. 122

FINANCE DEPARTMENT

June 27, 2017

Honorable Mayor and Members
of the Borough Council
Borough of Milltown
County of Middlesex, New Jersey

The Comprehensive Annual Financial Report for the Borough of Milltown, County of Middlesex, State of New Jersey, for the year ended December 31, 2016 is submitted herewith and includes financial statements and supplemental schedules. I believe it is accurate in all material respects; that it is presented in a manner designated to set forth fairly the financial position and results of operations of the Borough of Milltown as measured by the financial activity of its various funds and account groups; and that all disclosures necessary to enable the reader to gain an understanding of the Borough's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in five (5) sections: Introductory, Financial, Statistical, Single Audit and Auditor's Comments and Recommendations. The Introductory Section includes this transmittal letter, the Borough's organizational chart and a list of principal officials. The Financial Section includes the annual financial statements and individual fund financial schedules, as well as the independent auditor's report. The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis. The Single Audit Section includes the auditor's report on the internal control structure and compliance with applicable laws and regulation, the schedules of expenditures of Federal awards and state financial assistance, and findings and recommendations. The fifth and final section is prepared by the Independent Auditor and contains their required annual comments and recommendations, if any, to the Mayor and Council. The Mayor and Council are required to adopt a plan of action on the implementation of any audit recommendations. Responsibility for completeness and clarity of the report, including disclosures, rests with the Chief Financial Officer and, ultimately, with the Mayor and Council.

The financial statements have been audited by Gerard Stankiewicz, Certified Public Accountant, Registered Municipal Accountant of Samuel Klein and Company, Freehold, New Jersey, independent certified public accountants whose opinion is expressed in the Financial Section. Please note that the auditor's report is unqualified and states that the financial statements are presented fairly in conformity with the basis of accounting as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

PRESENT AND FUTURE CHALLENGES

The Borough operates three (3) distinct funds for the benefits of its tax and rate payers.

Current Fund

The Current Fund, which finances most of the operational areas of our local government, had total revenues of \$8,942,509.41, exclusive of fund balance and total expenditures of \$9,027,729.57 and a Fund Balance increase of \$189,492.56 as of December 31, 2016. The following schedule summarizes revenues and expenses for 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
<u>Revenues</u>				
Fund Balance	\$ 675,000.00	\$ 447,000.00	\$ 228,000.00	51.01 %
Real Estate Taxes	5,392,743.61	5,161,661.66	231,081.95	4.48
Delinquent Tax Receipts	6,427.10	1,637.41	4,789.69	292.52
State Aid	387,169.00	387,169.00	0.00	0.00
School Aged Children	411,934.81	367,193.45	44,741.36	12.18
Electric Utility Surplus	1,172,341.00	1,211,341.00	(39,000.00)	(3.22)
Miscellaneous Anticipated Revenues	845,140.15	774,940.95	70,199.20	9.06
Grants	176,129.11	76,864.73	99,264.38	129.14
Other Credits to Income	312,089.19	190,148.86	121,940.33	64.13
Nonbudget Revenue	<u>238,535.44</u>	<u>145,994.36</u>	<u>92,541.08</u>	<u>63.39</u>
	<u>\$ 9,617,509.41</u>	<u>\$ 8,763,951.42</u>	<u>\$ 853,557.99</u>	<u>9.74 %</u>

1. Real Estate Taxes - These are the taxes levied on all real property within the Borough.
2. Delinquent Tax Receipts - This represents receipts from delinquent taxes and tax title liens.
3. Intergovernmental Revenue - This represents funds received from the State of New Jersey and the Federal Government in the form of grants or direct aid.
4. Miscellaneous Anticipated Revenues - This represents all of the miscellaneous revenues of the Borough including fees, fines, licenses, interest and other direct user charges, except those detailed separately above.

Current Fund (Continued)

The increase in budgetary expenditures in 2016 over 2015 was as follows:

<u>Expenditures</u>	<u>2016</u>	<u>2015</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
General Government	\$ 598,117.00	\$ 635,472.00	\$ (37,355.00)	(5.88) %
Public Safety	2,601,839.00	2,414,423.00	187,416.00	7.76
Public Works	1,301,667.04	1,205,530.00	96,137.04	7.97
Utility Expense and Bulk Purchases	91,600.00	90,900.00	700.00	0.77
Land Use	77,675.00	72,700.00	4,975.00	6.84
Insurance	890,200.00	836,600.00	53,600.00	6.41
Health and Human Services	65,325.00	66,035.00	(710.00)	(1.08)
School Age Child Care Program	365,000.00	335,000.00	30,000.00	8.96
Parks and Recreation	584,940.00	540,325.00	44,615.00	8.26
Construction Code	59,250.00	56,100.00	3,150.00	5.61
Education - Library	301,444.42	295,992.63	5,451.79	1.84
Deferred Charges and Statutory Expenditures	829,637.00	777,767.12	51,869.88	6.67
Grants	199,198.11	81,964.73	117,233.38	143.03
Capital Improvements	30,000.00	25,000.00	5,000.00	20.00
Debt Service	600,837.00	554,469.90	46,367.10	8.36
Reserve for Uncollected Taxes	431,000.00	415,000.00	16,000.00	3.86
	<u>\$ 9,027,729.57</u>	<u>\$ 8,403,279.38</u>	<u>\$ 624,450.19</u>	<u>7.43 %</u>

Planning for the budget begins late in the preceding year and is further developed by the Chief Financial Officer/Business Administrator in conjunction with the Council Finance Committee in the early part of the ensuing year. In addition, the Capital Budget is reviewed annually in accordance with the budget law.

The Borough operates Electric and Water-Sewer Utilities. These utilities are separate budgetary entities that allow for the segregation of the revenue and expenses of the utilities. The utilities are under the operational control of the Mayor and Council.

Electric Utility Fund

The Electric Utility serves the entire Borough, which encompasses approximately 3,152 accounts. Revenues in 2016 were \$9,152,818.25 and expenditures exclusive of the transfer to the general budget were \$7,374,970. Fund balance increased by \$605,507.25. The Electric Utility debt was considered to be self-liquidating for 2016, and, as a result, the Fund's debt is not factored into the Borough's net debt. The following schedule summarizes revenue and expenses for 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
<u>Revenues</u>				
Electric Charges	\$ 7,983,114.92	8,094,391.90	(111,276.98)	(1.37)
Nonbudget Reserves	130,386.57	100,020.90	30,365.67	30.36
Other Credits to Income	<u>1,039,316.76</u>	<u>1,709,661.38</u>	<u>(670,344.62)</u>	<u>(39.21)</u>
	<u>\$ 9,152,818.25</u>	<u>\$ 9,904,074.18</u>	<u>\$ (751,255.93)</u>	<u>(7.59) %</u>
<u>Expenditures</u>				
Operating Expenses	\$ 6,503,550.00	\$ 6,445,445.00	\$ 58,105.00	0.90 %
Capital Improvements	55,000.00	55,000.00	0.00	0.00
Debt Service	663,220.00	658,680.00	4,540.00	0.69
Deferred Charges	153,200.00	139,915.80	13,284.20	9.49
Surplus (General Budget)		622,341.00	(622,341.00)	(100.00)
Cancellation of Receivables		112.50	(112.50)	(100.00)
	<u>\$ 7,374,970.00</u>	<u>\$ 7,921,494.30</u>	<u>\$ (546,524.30)</u>	<u>(6.90) %</u>

Water-Sewer Utility Fund

The Water-Sewer Utility serves the entire Borough, which encompasses approximately 2,659 accounts. Revenues exclusive of fund balance were \$2,874,418.87 and expenditures were \$2,898,614.15. Fund balance decreased \$24,195.28. The Water-Sewer Utility Fund was considered to be self-liquidating for 2016 and, as a result, the Fund's debt is not factored into the Borough's net debt. The following schedule summarizes revenues and expenses for 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
<u>Revenues</u>				
Fund Balance	\$ 500,814.15	\$ 338,803.55	\$ 162,010.60	47.82 %
Water Rents	2,361,545.68	2,361,793.73	(248.05)	(0.01)
Miscellaneous Revenues	194,690.86	137,858.05	56,832.81	41.23
Nonbudget Revenue	41,450.15	30,518.92	10,931.23	35.82
Other Credits to Income	276,732.18	294,996.42	(18,264.24)	(6.19)
	<u>\$ 3,375,233.02</u>	<u>\$ 3,163,970.67</u>	<u>\$ 211,262.35</u>	<u>6.68 %</u>
<u>Expenditures</u>				
Operating Expenses	\$ 2,073,200.73	\$ 1,959,610.74	\$ 113,589.99	5.80 %
Capital Improvements	110,000.00	160,000.00	(50,000.00)	(31.25)
Debt Service	595,940.00	513,085.01	82,854.99	16.15
Deferred Charges	79,473.42	75,107.80	4,365.62	5.81
Refund of Prior Years' Revenue	40,000.00		40,000.00	#DIV/0!
	<u>\$ 2,898,614.15</u>	<u>\$ 2,707,803.55</u>	<u>\$ 190,810.60</u>	<u>7.05 %</u>

MAJOR ACTIVITIES AFFECTING BUDGET/FINANCIAL CONDITIONS

The Borough of Milltown encompasses 1.4 square miles. The Borough is a fully developed mature community comprised of mostly residential dwellings. The Borough has eleven apartment complexes and is densely populated. The Borough relies heavily on its Electric Utility and thus dramatic changes in the weather pattern effect the Borough's revenues dramatically.

The Borough Council has, in recent years, become aggressive in their Capital Program of improvements. The Borough, annually, has appropriated monies for Parks and Recreation Equipment, Roadway Resurfacing and Improvements to the Infrastructure.

PROSPECTS FOR THE FUTURE

The 2017 Municipal Budget as adopted reflects a rate of \$1,176.00 representing an increase from the prior year in the Local Purpose Tax Rate. The 2017 Budget as adopted will have increase of 2.9¢ or 2.583% compared to 2016 appropriations exclusive of the Library.

In 2016, the Borough is continuing a several year plan of beautifying the downtown area. In addition, park improvements are in process using a combination of grants and local funds. Initial plans for a Redevelopment program in the business district have advanced to the serious conceptual stage and a number of professionals have been consulted in this process.

LOCAL ECONOMIC EVENTS

Major infrastructure improvements were undertaken in a number of areas including:

- Road resurfacing and intersection improvements with local funds as well as a variety of other governmental sources to reduce the local financial burden of such work. Being a crossroads community in such a busy part of the region, Milltown has an unusually large infrastructure renewal burden for a community our size. By taking advantage of multiple sources and continuing to maintain our existing programs, Milltown is responsibly tending to the transportation needs of our citizens and visitors.
- Improvements to the Borough's parks and recreational facilities continue. The bathroom at the Borough's Pool has been upgraded.
- The water tower will undergo refurbishing in 2017.
- Various equipments are being purchased for all departments in order to provide a better level of service to the residents.
- Improvements to Wilson Avenue and Howard Street, partially funded by the NJDOT, are projected to be completed in late 2017 or early 2018.
- The Governing Body is in constant pursuit of grants from the federal, state and county governments in order to improve the Borough at minimal cost to the local residents.
- The Governing Body recently adopted a Bond Ordinance to relocate the DPW/Utility Department and also construct a new Firehouse.
- Improvements to the Milltown Public Library parking lot are complete.
- A retaining wall has been constructed on Elm St & School St.

- The construction of the new electrical substation was completed subsequent to yearend and is being funded by federal state loans at favorable interest rates.
- The ongoing water main lining project JFK Drive, Nicholas Court, Booream Ave., Garden Place, Townsend Street, Ackerman Ave., and East Foch Ave awarded in 2015 has been completed.
- Efforts are continuing to bring the redevelopment area to some conclusion; however, it is caught up in the court system.

CASH MANAGEMENT

The Borough invests all surplus funds for appropriate periods of time as determined by the Chief Financial Officer. During 2016, funds were deposited in interest bearing accounts.

DEBT ADMINISTRATION

The current outstanding net debt of the Borough is \$7,893,657.77 which represents .915% of its average equalized value. Debt Service appropriations for 2016 were \$11,310,045.65 for all Borough funds.

RISK MANAGEMENT

The Borough is a member of the Middlesex County Joint Insurance Fund along with the statewide Municipal Excess Liability Joint Insurance Fund, Municipal Excess Liability Residual Claims Fund and Environmental Joint Insurance Fund, as well as a Private Insurance Plan for Volunteer Firemen. The Borough is well insured. These funds provide professional risk management, legal defense, loss prevention, claims management and actuarial services and are regulated by the New Jersey Department of Insurance.

The Borough is a member of the New Jersey State Health Benefits Program, as well as having dental and prescription plans with Blue Cross and Blue Shield of New Jersey.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the help and dedicated services of the entire staff of the Finance Department and the Administration of the Borough.

Respectfully submitted,

Denise Biancamano

Denise Biancamano
Chief Financial Officer/ Borough Business Administrator

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Milltown
County of Middlesex
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

Report on the Financial Statements

We have audited the financial statements – regulatory basis of the various funds and account groups of the Borough of Milltown, County of Middlesex, State of New Jersey as of December 31, 2016, and the related statement of operations and change in fund balance – regulatory basis for the year then ended, the related statement of revenues – regulatory basis, statement of expenditures – regulatory basis, and the related notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements – regulatory basis, in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on the United States Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Milltown, County of Middlesex, State of New Jersey as of December 31, 2016, and change in financial position or cash flows thereof for the year then ended.

Basis for Disclaimer of Opinion on Length of Service Award Program Fund (“LOSAP”)

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund (“LOSAP”) have not been audited, and we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Borough’s financial statements. The LOSAP financial activities are included in the Borough’s Trust Fund, and represent 52.52% and 48.51% of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

Disclaimer of Opinion on Length of Service Award Program Fund (“LOSAP”)

Due to the fact that we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Borough’s financial statements, we do not express an opinion of the LOSAP financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP financial statements – regulatory basis been audited, the financial statements referred to above present fairly, in all material respects the financial statements – regulatory basis of the various funds and account groups of the Borough of Milltown, County of Middlesex, State of New Jersey, as of December 31, 2016, and the results of its operations and change in fund balance of such funds – regulatory basis for the year then ended, and the revenues – regulatory basis, expenditures – regulatory basis of the various funds and account groups for the year ended December 31, 2016 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements – regulatory basis of the Borough of Milltown, County of Middlesex, New Jersey. This information included in the Introductory section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements – regulatory basis of the Borough. The information included Single Audit section – the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Uniform Guidance and schedule of expenditures of state financial assistance required by NJOMB #15-08 and are also not a required part of the basic financial statements.

The Supplementary Schedules and the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are required by the Uniform Guidance and NJOMB #15-08 and 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 – regulatory basis. The information has been subjected to auditing procedures applied in the audit of the financial statements – regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

The schedules and information contained in the Introductory Section and in the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the Borough of Milltown'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 the 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 Milltown's internal control over financial reporting and compliance.



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
June 27, 2017

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance, December 31</u>	
		<u>2016</u>	<u>2015</u>
Cash and Investments - Treasurer	A-4	\$ 2,018,289.81	\$ 1,972,793.14
Cash - Change Fund	A-5	350.00	350.00
Due from State of NJ per Ch. 20, P.L. 1976	A-6	16,328.33	16,838.60
		<u>2,034,968.14</u>	<u>1,989,981.74</u>
Receivables with Offsetting Reserves:			
Delinquent Taxes	A-7	121,235.57	19,417.60
Tax Title Liens	A-8	1,635,672.10	1,292,927.53
Property Acquired for Taxes (at Assessed Valuation)	A-9	3,400.00	3,400.00
Revenue Accounts Receivable	A-10	25,017.07	12,952.85
Due from Township of East Brunswick	A-12	8,450.00	8,450.00
		<u>1,793,774.74</u>	<u>1,337,147.98</u>
Total Regular Fund		<u>3,828,742.88</u>	<u>3,327,129.72</u>
Grant Fund:			
Cash	A-4	57,607.88	52,843.46
Grants Receivable	A-23	181,325.50	70,471.75
Total Grant Fund		<u>238,933.38</u>	<u>123,315.21</u>
		<u>\$ 4,067,676.26</u>	<u>\$ 3,450,444.93</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
DECEMBER 31, 2016 AND 2015

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance, December 31</u>	
		<u>2016</u>	<u>2015</u>
Liabilities:			
Appropriation Reserves	A-3, A-13	\$ 442,852.37	\$ 393,048.30
Reserve for Encumbrances	A-21	182,315.98	179,907.04
Prepaid Taxes	A-20	242,808.53	219,148.00
Various Reserves	A-14	20,082.82	93,567.26
Commitments Payable	A-15	149,295.92	135,049.74
Tax Overpayments	A-16	1,908.96	25,132.51
Local School Tax Payable	A-17	77,635.00	215,836.00
Due to Animal Control Trust Fund	A-11		78.00
Due to Payroll Fund	A-11	361.11	
		<u>1,117,260.69</u>	<u>1,261,766.85</u>
Reserve for Receivables	Reserve	1,793,774.74	1,337,147.98
Fund Balance	A-1	917,707.45	728,214.89
Total Regular Fund		<u>3,828,742.88</u>	<u>3,327,129.72</u>
Grant Fund:			
Reserve for Grants:			
Appropriated	A-24	179,858.11	68,871.76
Unappropriated	A-25		1,571.00
Reserve for Encumbrances	A-26	9,075.27	2,872.45
Due to General Capital Fund	A-22	50,000.00	50,000.00
Total Grant Fund		<u>238,933.38</u>	<u>123,315.21</u>
		<u>\$ 4,067,676.26</u>	<u>\$ 3,450,444.93</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
DECEMBER 31, 2016 AND 2015

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>Ref.</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
Fund Balance Utilized	A-1, A-2	\$ 675,000.00	\$ 447,000.00
Miscellaneous Revenues Anticipated	A-2	2,992,714.07	2,817,509.13
Receipts from Delinquent Taxes	A-2	6,427.10	1,637.41
Receipts from Current Taxes	A-7	23,305,386.62	22,848,148.15
Nonbudget Revenue	A-2	238,535.44	145,994.36
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-13	269,603.94	180,890.61
Unexpended Balances of Current Appropriations	A-3	20,000.00	
Cancellation of Reserve for State Tax Appeals	A-14	22,485.25	9,258.25
		<u>27,530,152.42</u>	<u>26,450,437.91</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	4,136,961.00	3,596,575.28
Other Expenses	A-3	2,999,294.57	3,034,467.08
Deferred Charges and Statutory Expenditures	A-3	829,637.00	777,767.12
Municipal Debt Service	A-3	600,837.00	554,376.16
Capital Improvements	A-3	30,000.00	25,000.00
County Tax	A-18	3,357,313.02	3,400,641.49
County Share of Added and Omitted Taxes	A-19	6,420.27	
Local District School Taxes	A-17	14,705,197.00	14,363,642.00
Prior Year Senior Citizen Deductions Disallowed			138.36
Refund of Prior Year Revenue			250.00
		<u>26,665,659.86</u>	<u>25,752,857.49</u>
		<u>864,492.56</u>	<u>697,580.42</u>
Excess in Revenue			
Statutory Excess to Fund Balance		<u>864,492.56</u>	<u>697,580.42</u>
Balance - January 1	A	728,214.89	477,634.47
		<u>1,592,707.45</u>	<u>1,175,214.89</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1	675,000.00	447,000.00
Balance - December 31	A	<u>\$ 917,707.45</u>	<u>\$ 728,214.89</u>

See Notes to Financial Statements

**BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Ref.</u>	Anticipated <u>2016</u>	N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Surplus Anticipated	A-1	\$ 675,000.00	_____	\$ 675,000.00	_____
Miscellaneous Revenue Anticipated:					
Local Revenues:					
Licenses:					
Alcoholic Beverages	A-10	\$ 4,725.00	_____	\$ 4,725.00	_____
Fees and Permits	A-10	35,100.00	_____	32,887.93	\$ (2,212.07)
Fines and Costs:					
Municipal Court	A-10	162,000.00	_____	188,306.57	26,306.57
Interest and Costs on Taxes	A-10	32,500.00	_____	21,069.37	(11,430.63)
Interest on Investments and Deposits	A-10	10,000.00	_____	11,949.44	1,949.44
Anticipated Utility Operating Surplus - Electric	A-10	1,172,341.00	_____	1,172,341.00	_____
Swimming Pool Fees	A-10	118,300.00	_____	127,058.00	8,758.00
Cable Television Franchise Fees	A-10	32,777.00	_____	32,777.00	_____
Recreation Fees	A-10	86,800.00	_____	91,500.00	4,700.00
		<u>1,654,543.00</u>	_____	<u>1,682,614.31</u>	<u>28,071.31</u>
State Aid with Offsetting Appropriations:					
Consolidated Municipal Property Tax Relief Aid	A-10	57,688.00	_____	57,688.00	_____
Energy Receipts Tax (P.L.1997, Chapters 162 & 167)	A-10	329,481.00	_____	329,481.00	_____
		<u>387,169.00</u>	_____	<u>387,169.00</u>	_____
Dedicated Uniform Construction Code Fees Offset with Appropriations (NJS 40A:4-36 & NJAC 5:23-417):					
Uniform Construction Code Fees	A-10	102,500.00	_____	86,134.00	(16,366.00)

**BOROUGH OF MILLTOWN
 MIDDLESEX COUNTY, NEW JERSEY
 STATEMENT OF REVENUES - REGULATORY BASIS
 CURRENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Ref.</u>	Anticipated <u>2016</u>	N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Special Items - Additional Revenues:					
School Age Child Care	A-10	\$ 365,000.00		\$ 411,934.81	\$ 46,934.81
Donation - Milltown Revitalization Committee	A-14	<u>6,267.04</u>		<u>6,267.04</u>	
		<u>371,267.04</u>		<u>418,201.85</u>	<u>46,934.81</u>
Public and Private Revenues:					
Municipal Alliance on Alcoholism and Drug Abuse	A-23	12,276.00		12,276.00	
Middlesex County Office on Aging Grant	A-23	6,571.00		6,571.00	
Middlesex County HUD Block Grant	A-23	35,140.00		35,140.00	
Body Armor Replacement Program Fund	A-23		\$ 1,783.18	1,783.18	
Clean Communities Program	A-23		16,508.93	16,508.93	
Open Space, Recreation, Farmland Grant	A-23		<u>103,850.00</u>	<u>103,850.00</u>	
		<u>53,987.00</u>	<u>122,142.11</u>	<u>176,129.11</u>	
Other Special Items:					
Payment in lieu of Taxes - Arisa Redevelopment	A-10	159,672.14		159,672.16	0.02
General Capital Fund Balance	A-10	18,000.00		18,000.00	
Cell Tower Lease	A-10	<u>63,900.00</u>		<u>64,793.64</u>	<u>893.64</u>
		<u>241,572.14</u>		<u>242,465.80</u>	<u>893.66</u>
Total Miscellaneous Revenue	A-2	<u>2,811,038.18</u>	<u>122,142.11</u>	<u>2,992,714.07</u>	<u>59,533.78</u>
Receipts from Delinquent Taxes	A-7			<u>6,427.10</u>	<u>6,427.10</u>
Subtotal General Revenues		<u>3,486,038.18</u>	<u>122,142.11</u>	<u>3,674,141.17</u>	<u>65,960.88</u>

**BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Ref.</u>	Anticipated <u>2016</u>	N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes including					
Reserve for Uncollected Taxes	A-7	\$ 5,134,424.06		\$ 5,107,618.39	\$ (26,805.67)
Municipal Library Levy	A-7	<u>285,125.22</u>		<u>285,125.22</u>	
		<u>5,419,549.28</u>		<u>5,392,743.61</u>	<u>(26,805.67)</u>
 Budget Totals		 \$ 8,905,587.46	 \$ 122,142.11	 \$ 9,066,884.78	 \$ 39,155.21
 Nonbudget Revenues	 A-1, A-10	 <u> </u>	 <u> </u>	 <u>238,535.44</u>	 <u>238,535.44</u>
		 <u>\$ 8,905,587.46</u>	 <u>\$ 122,142.11</u>	 <u>\$ 9,305,420.22</u>	 <u>\$ 277,690.65</u>
		A-3	A-3		
 Detail of Realized Revenue - Miscellaneous					
Other Reserves	A-14			\$ 6,267.04	
Revenue Accounts Receivable:	A-10			2,810,317.92	
Grants Receivable	A-23			<u>176,129.11</u>	
	A-2			<u>\$ 2,992,714.07</u>	

See Notes to Financial Statements

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Budget	Budget After Modification	- Expended -			Cancelled
			Paid or Charged	Encumbered	Reserved	
<u>GENERAL GOVERNMENT FUNCTIONS</u>						
General Administration:						
Salaries and Wages	\$ 8,000.00	\$ 8,000.00	\$ 7,956.66		\$ 43.34	
Other Expenses	770.00	770.00	220.00		550.00	
Mayor and Council:						
Salaries and Wages	8,700.00	8,700.00	8,623.44		76.56	
Other Expenses	3,150.00	3,150.00	2,376.11	\$ 500.35	273.54	
Payroll Processing Fees	6,650.00	6,650.00	4,734.39	503.09	1,412.52	
Municipal Clerk:						
Salaries and Wages	132,200.00	129,200.00	126,531.45		2,668.55	
Other Expenses	31,377.00	28,377.00	19,400.70	904.98	8,071.32	
Financial Administration:						
Salaries and Wages	83,500.00	80,500.00	72,350.80		8,149.20	
Other Expenses	23,570.00	23,570.00	22,048.01	782.47	739.52	
Audit Services:						
Other Expenses	22,050.00	20,050.00	19,000.00		1,050.00	
Collection of Taxes:						
Salaries and Wages	68,700.00	68,700.00	67,576.55		1,123.45	
Other Expenses	8,000.00	9,000.00	7,140.55	755.96	1,103.49	
Assessment of Taxes:						
Salaries and Wages	23,400.00	25,200.00	24,995.13		204.87	
Other Expenses	6,550.00	5,050.00	2,872.28	20.47	2,157.25	
Legal Services:						
Other Expenses	157,000.00	144,000.00	95,892.76	20,675.31	27,431.93	
Engineering Services and Costs:						
Ground Water Monitoring	100.00	100.00			100.00	
Misc. Other Expenses	16,100.00	16,100.00	9,455.61	1,992.00	4,652.39	
<u>LAND USE ADMINISTRATION</u>						
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.):						
Planning Board:						
Other Expenses	9,200.00	7,200.00	2,636.99		4,563.01	
Board of Adjustment:						
Other Expenses	4,250.00	4,250.00	2,940.75		1,309.25	
Zoning Board:						
Salaries and Wages	62,200.00	63,600.00	63,470.37		129.63	
Other Expenses	2,525.00	2,625.00	2,296.25	280.50	48.25	

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Budget	Budget After Modification	- Expended -			Cancelled
			Paid or Charged	Encumbered	Reserved	
<u>INSURANCE</u>						
Liability Insurance	\$ 106,500.00	\$ 106,500.00	\$ 106,358.43		\$ 141.57	
Workers' Compensation	116,500.00	116,500.00	116,160.00		340.00	
Employee Group Health Insurance	661,462.00	618,462.00	562,845.78	\$ 246.05	55,370.17	
Unemployment Insurance	10,000.00	7,000.00			7,000.00	
Health Benefits Waiver	31,100.00	31,100.00	27,827.36		3,272.64	
<u>PUBLIC SAFETY FUNCTIONS</u>						
Police:						
Salaries and Wages	1,780,000.00	1,865,000.00	1,812,305.99		52,694.01	
Other Expenses	127,376.00	127,376.00	91,984.61	\$ 15,209.53	20,181.86	
Telephone	17,000.00	17,000.00	15,184.45	1,548.20	267.35	
Crossing Guards:						
Salaries and Wages	134,000.00	131,000.00	129,790.69		1,209.31	
Other Expenses	4,700.00	4,700.00	1,700.75	350.00	2,649.25	
Police Dispatch/911:						
Salaries and Wages	117,500.00	115,500.00	100,864.27		14,635.73	
Other Expenses	8,333.00	8,333.00			8,333.00	
Emergency Management Services:						
Salaries and Wages	2,000.00	2,000.00	1,765.00		235.00	
Other Expenses	2,400.00	2,400.00	2,250.90	149.10		
First Aid Organization:						
Contribution	35,000.00	35,000.00	35,000.00			
Fire Protection Bureau (Uniform Fire Code P.L. 1983, C. 383):						
Salaries and Wages	15,120.00	10,261.00	10,261.00			
Other Expenses	79,410.00	84,269.00	59,303.95	23,218.70	1,746.35	
Municipal Prosecutor:						
Salaries and Wages	13,000.00	13,000.00	11,040.00		1,960.00	
Municipal Court:						
Salaries and Wages	97,000.00	95,000.00	82,751.28		12,248.72	
Other Expenses	14,000.00	14,000.00	9,569.62	1,282.93	3,147.45	
Public Defender (P.L. 1997, C.256):						
Other Expenses	6,500.00	3,500.00			3,500.00	

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Budget	Budget After Modification	- Expended -			Cancelled
			Paid or Charged	Encumbered	Reserved	
<u>PUBLIC WORKS FUNCTIONS</u>						
Road Repairs and Maintenance:						
Salaries and Wages	\$ 176,500.00	\$ 176,500.00	\$ 172,472.72		\$ 4,027.28	
Other Expenses	49,000.00	49,000.00	27,798.69	\$ 525.63	20,675.68	
Street Cleaning:						
Salaries and Wages	116,500.00	116,500.00	111,880.61		4,619.39	
Other Expenses	6,950.00	3,950.00	2,064.22	553.64	1,332.14	
Garbage and Trash Removal:						
Salaries and Wages	304,500.00	301,500.00	293,853.14		7,646.86	
Other Expenses	212,000.00	212,000.00	170,947.70	32,887.56	8,164.74	
O.S.H.A Requirement:						
Other Expenses	7,400.00	7,400.00	1,630.00		5,770.00	
Recycling:						
Salaries and Wages	60,500.00	60,500.00	58,301.36		2,198.64	
Other Expenses	53,100.00	48,100.00	39,972.23	882.73	7,245.04	
Public Buildings and Grounds:						
Salaries and Wages	2,900.00	2,900.00	2,372.02		527.98	
Other Expenses	42,150.00	42,150.00	35,618.11	4,331.98	2,199.91	
Vehicle Maintenance:						
Salaries and Wages	47,300.00	47,300.00	45,876.99		1,423.01	
Other Expenses (Emergency \$4,000.00)	130,000.00	130,000.00	111,385.01	8,971.49	9,643.50	
Snow Removal:						
Salaries and Wages	8,000.00	8,000.00	8,000.00			
Other Expenses	7,000.00	7,000.00	7,000.00			
Environmental Commission:						
Other Expenses	900.00	900.00	300.00	10.12	589.88	
Shade Tree Commission:						
Other Expenses	14,000.00	14,000.00	4,610.00	9,390.00		
<u>HEALTH AND HUMAN SERVICES FUNCTIONS</u>						
Board of Health:						
Salaries and Wages	7,500.00	7,500.00	6,584.92		915.08	
Other Expenses	720.00	720.00	697.88		22.12	
Dog Regulations:						
Other Expenses	100.00	100.00	89.49		10.51	
Property Clean-Ups:						
Other Expenses	11,000.00	8,500.00	500.00		8,000.00	

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Budget After Modification</u>	<u>- Expended -</u>			<u>Cancelled</u>
			<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
<u>PARK AND RECREATION FUNCTIONS</u>						
Department of Recreation :						
Salaries and Wages	\$ 77,000.00	\$ 77,000.00	\$ 75,866.00		\$ 1,134.00	
Other Expenses	52,000.00	50,000.00	38,357.57	\$ 1,937.48	9,704.95	
Celebration of Public Events:						
Other Expenses	6,200.00	6,200.00	6,062.73	137.27		
Office on Aging (Social Services)						
Salaries and Wages	68,000.00	66,000.00	60,509.95		5,490.05	
Other Expenses	30,975.00	30,975.00	27,008.90	2,447.14	1,518.96	
Pool Expenses						
Salaries and Wages	119,000.00	104,000.00	103,134.43		865.57	
Other Expenses	61,865.00	68,365.00	62,495.73	5,114.86	754.41	
Parks and Playgrounds:						
Salaries and Wages	155,000.00	155,000.00	147,868.02		7,131.98	
Other Expenses	27,400.00	27,400.00	20,483.68	151.27	6,765.05	
<u>UTILITY EXPENSES AND BULK PURCHASES</u>						
Telephone:						
Salaries and Wages	49,000.00	51,700.00	51,105.86		594.14	
Other Expenses	7,900.00	7,900.00	7,144.38	743.17	12.45	
Gasoline	28,000.00	22,000.00	12,882.88	5,043.95	4,073.17	
Natural Gas Heating	11,500.00	10,000.00	4,993.37	660.79	4,345.84	
<u>UNCLASSIFIED</u>						
Terminal Leave:						
Salaries and Wages	10,000.00	20,000.00	10,000.00	10,000.00		
<u>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET</u>						
<u>BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)</u>						
Construction Official (Chief Admin. Of Enforcement Agency)						
Salaries and Wages	56,900.00	56,900.00	55,112.44		1,787.56	
Other Expenses	2,350.00	2,350.00	855.81		1,494.19	
Total Operations within "CAPS"	<u>6,078,003.00</u>	<u>6,063,003.00</u>	<u>5,525,319.72</u>	<u>152,208.72</u>	<u>385,474.56</u>	

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

			- Expended -			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>CONTINGENT</u>	\$ 1,000.00	\$ 1,000.00			\$ 1,000.00	
Total Operations Including Contingent - within "CAPS"	\$ 6,079,003.00	\$ 6,064,003.00	\$ 5,525,319.72	\$ 152,208.72	\$ 386,474.56	
Detail:						
Salaries and Wages	\$ 3,803,920.00	\$ 3,866,961.00	\$ 3,662,115.23		\$ 133,739.91	
Other Expenses (Including Contingent)	2,275,083.00	2,197,042.00	1,863,204.49	\$ 152,208.72	252,734.65	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</u>						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	\$ 165,010.00	\$ 165,010.00	\$ 165,010.00			
Social Security System (O.A.S.I.)	285,000.00	295,000.00	280,434.48		\$ 14,565.52	
Police and Firemen's Pension Fund	354,297.00	354,297.00	354,297.00			
Defined Contribution Retirement Plan	2,000.00	2,000.00			2,000.00	
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	<u>806,307.00</u>	<u>816,307.00</u>	<u>799,741.48</u>		<u>16,565.52</u>	
Total General Appropriations for Municipal Purposes within "CAPS"	\$ <u>6,885,310.00</u>	\$ <u>6,880,310.00</u>	\$ <u>6,325,061.20</u>	\$ <u>152,208.72</u>	\$ <u>403,040.08</u>	
<u>OPERATIONS - EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library (P.L. 1985, C. 82 & 541)	\$ 296,444.42	\$ 301,444.42	\$ 297,330.10	\$ 72.85	\$ 4,041.47	
Length of Service Award Program (LOSAP)	60,000.00	60,000.00	60,000.00			
Insurance:						
Group Health Insurance (P.L.2007, C.62)	10,638.00	10,638.00	10,638.00			
NJPOEPS/Stormwater Permit (NJSA 40A:4-45.3(cc))						
Engineering - Other Expenses	<u>7,700.00</u>	<u>7,700.00</u>	<u>2,002.07</u>		<u>5,697.93</u>	
Total Other Operations - Excluded from "CAPS"	\$ <u>374,782.42</u>	\$ <u>379,782.42</u>	\$ <u>369,970.17</u>	\$ <u>72.85</u>	\$ <u>9,739.40</u>	

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Budget After Modification</u>	<u>- Expended -</u>			
			<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (CONTINUED)						
Interlocal Municipal Service Agreements:						
Middlesex County Improvement Authority:						
Public Health Service Contract:						
Other Expenses	\$ 37,905.00	\$ 37,905.00	\$ 36,732.34		\$ 1,172.66	
MCIA:						
Recycling Program - Other Expenses	60,000.00	60,000.00	27,581.31	\$ 11,905.99	20,512.70	
Township of Woodbridge - Animal Control						
Other Expenses	10,600.00	10,600.00		10,600.00		
Mobile Data Terminal System - South Brunswick						
Other Expenses	13,500.00	13,500.00	12,296.07		1,203.93	
School Age Child Care Program						
Salary and Wages	270,000.00	270,000.00	269,413.82		586.18	
Other Expenses	95,000.00	95,000.00	86,167.21	7,528.42	1,304.37	
Donations - Milltown Revitalization Committee	6,267.04	6,267.04	973.99		5,293.05	
	<u>\$ 493,272.04</u>	<u>\$ 493,272.04</u>	<u>\$ 433,164.74</u>	<u>\$ 30,034.41</u>	<u>\$ 30,072.89</u>	
Total Interlocal Municipal Service Agreements						
Public and Private Programs Offset by Revenues:						
Municipal Alliance on Alcohol and Drug Program:						
Matching Portion	\$ 3,069.00	\$ 3,069.00	\$ 3,069.00			
Grant Portion	12,276.00	12,276.00	12,276.00			
Middlesex County Office on Aging - Grant Portion	6,571.00	6,571.00	6,571.00			
Clean Communities Program		16,508.93	16,508.93			
Middlesex County - CDBG Grant	35,140.00	35,140.00	35,140.00			
Open Space, Recreation, Farmland Grant		103,850.00	103,850.00			
Matching Funds for Grant	20,000.00	20,000.00				\$ 20,000.00
Body Armor Replacement Program		1,783.18	1,783.18			
	<u>\$ 77,056.00</u>	<u>\$ 199,198.11</u>	<u>\$ 179,198.11</u>			<u>\$ 20,000.00</u>
Total Public and Private Programs Offset by Revenues						
Total Operations - Excluded from "CAPS"						
	<u>\$ 945,110.46</u>	<u>\$ 1,072,252.57</u>	<u>\$ 982,333.02</u>	<u>\$ 30,107.26</u>	<u>\$ 39,812.29</u>	<u>\$ 20,000.00</u>
Detail:						
Salaries and Wages		\$ 16,508.93	\$ 16,508.93			
Other Expenses	\$ 945,110.46	1,055,743.64	965,824.09	\$ 30,107.26	\$ 39,812.29	\$ 20,000.00

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	- Expended -		
				<u>Encumbered</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00			
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00			
Note Principal	50,000.00	50,000.00	50,000.00			
Interest on Bonds	121,907.00	121,907.00	121,907.00			
Interest on Notes	11,560.00	11,560.00	11,560.00			
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	17,370.00	17,370.00	17,370.00			
Total Municipal Debt Service - Excluded from "CAPS"	\$ 600,837.00	\$ 600,837.00	\$ 600,837.00			\$
<u>DEFERRED CHARGES:</u>						
Improvement Authorizations - Unfunded	\$ 13,330.00	\$ 13,330.00	\$ 13,330.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 1,589,277.46	\$ 1,716,419.57	\$ 1,626,500.02	\$ 30,107.26	\$ 39,812.29	\$ 20,000.00
Total General Appropriations - Excluded from "CAPS"	\$ 1,589,277.46	\$ 1,716,419.57	\$ 1,626,500.02	\$ 30,107.26	\$ 39,812.29	\$ 20,000.00
Subtotal General Appropriations	\$ 8,474,587.46	\$ 8,596,729.57	\$ 7,951,561.22	\$ 182,315.98	\$ 442,852.37	\$ 20,000.00
<u>RESERVE FOR UNCOLLECTED TAXES</u>						
Total General Appropriations	\$ 431,000.00	\$ 431,000.00	\$ 431,000.00			
Total General Appropriations	\$ 8,905,587.46	\$ 9,027,729.57	\$ 8,382,561.22	\$ 182,315.98	\$ 442,852.37	\$ 20,000.00
<u>Detail:</u>	<u>Ref.</u>			A-21	A	A-1
Budget as Adopted	A-2	\$ 8,905,587.46				
Added by NJSA 40A:4-87	A-2	122,142.11				
	A-2	<u>\$ 9,027,729.57</u>				
Disbursed	A-4	\$ 8,345,408.64				
Less: Contra Receipts	A-4	629,976.53	\$ 7,715,432.11			
Commitments Payable	A-15		60,000.00			
Reserve for Uncollected Taxes	A-7		431,000.00			
Grant Fund Appropriated Reserves	A-24		176,129.11			
			<u>\$ 8,382,561.22</u>			

See Notes to Financial Statements

BOROUGH OF MILLTOWN
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
TRUST FUND
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>Ref.</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
Animal Control Fund:			
Cash, Treasurer	B-1	\$ 1,267.64	\$ 2,524.64
Due from Borough Clerk	B-7	52.20	
Due From Current Fund	A-11		78.00
Total Animal Control Fund		<u>1,319.84</u>	<u>2,602.64</u>
Trust-Other Fund:			
Cash, Treasurer	B-1	774,597.51	825,770.18
Due from Municipal Court	B-4	608.00	6.00
Total Trust-Other Fund		<u>775,205.51</u>	<u>825,776.18</u>
Payroll Trust Fund:			
Cash, Treasurer	B-1	39,299.02	65,123.68
Due to/from Current Fund	A-11/B-6	361.11	
Total Payroll Trust Fund		<u>39,660.13</u>	<u>65,123.68</u>
Public Assistance Trust Fund:			
Cash, Treasurer	B-1	8,973.76	8,973.76
Total Public Assistance Trust Fund		<u>8,973.76</u>	<u>8,973.76</u>
LOSAP Fund (Unaudited):			
Cash, Trustee	B	912,846.19	850,117.25
Total LOSAP Fund		<u>912,846.19</u>	<u>850,117.25</u>
		<u>\$ 1,738,005.43</u>	<u>\$ 1,752,593.51</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
TRUST FUND
DECEMBER 31, 2016 AND 2015

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
Animal Control Fund:			
Reserve for Animal Control	B-2	\$ 1,312.64	\$ 2,602.64
Due to State of New Jersey	B-3	7.20	
Total Animal Control Fund		<u>1,319.84</u>	<u>2,602.64</u>
Trust-Other Fund:			
Reserve for Various Deposits	B-4	726,115.28	769,367.53
Reserve for Encumbrances	B-7	1,800.00	4,295.80
Reserve for Unemployment Compensation	B-5	47,290.23	52,112.85
Total Trust-Other Fund		<u>775,205.51</u>	<u>825,776.18</u>
Payroll Trust Fund:			
Payroll Deductions Payable	B-6	39,660.13	65,123.68
Total Payroll Trust Fund		<u>39,660.13</u>	<u>65,123.68</u>
Public Assistance Trust Fund:			
Reserve for Public Assistance	B-1	8,973.76	8,973.76
Total Public Assistance Trust Fund		<u>8,973.76</u>	<u>8,973.76</u>
LOSAP Fund (Unaudited):			
Res. For LOSAP Funds Held by Trustee	B	912,846.19	850,117.25
Total LOSAP Fund		<u>912,846.19</u>	<u>850,117.25</u>
		<u>\$ 1,738,005.43</u>	<u>\$ 1,752,593.51</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
GENERAL CAPITAL FUND
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance, December 31</u>	
		<u>2016</u>	<u>2015</u>
Cash, Treasurer	C-2, C-3	\$ 324,519.08	\$ 928,436.86
Due from State of New Jersey - DOT	C-4	865,645.04	1,060,871.09
Due from Grant Fund	C-14	50,000.00	50,000.00
Deferred Charges to Future Taxation:			
Funded	C-5	4,062,657.77	4,476,269.99
Unfunded	C-6	3,900,884.37	2,829,911.42
		<u>\$ 9,203,706.26</u>	<u>\$ 9,345,489.36</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-7	\$ 3,885,000.00	\$ 4,285,000.00
Bond Anticipation Notes	C-9	2,069,000.00	1,360,000.00
NJDEP Green Trust Loan	C-8	177,657.77	191,269.99
Reserve for Encumbrances	C-13	382,136.94	1,107,596.28
Improvement Authorizations:			
Funded	C-12	34,212.66	48,180.05
Unfunded	C-12	1,884,788.27	1,561,187.22
Reserve for:			
Capital Improvement Fund	C-10	33,005.74	63,005.74
Grant Receivable State of NJ - DOT	C-4	670,000.00	670,000.00
Water Retention	C-11	11,428.58	11,428.58
Fund Balance	C-1	<u>56,476.30</u>	<u>47,821.50</u>
Total Capital Fund		<u>\$ 9,203,706.26</u>	<u>\$ 9,345,489.36</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2016 and December 31, 2015 in the amount of \$1,762,000.00 and \$1,386,000.00 respectively (See Exhibit C-15).

See Notes to Financial Statements

BOROUGH OF MILLTOWN
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>BALANCE, DECEMBER 31, 2015</u>	<u>Ref.</u> C		\$ 47,821.50
<u>INCREASED BY:</u>			
Cancellation of Funded Improvement Authorizations	C-12	\$ 12,981.73	
Premium on Sale of Bond Anticipation Notes	C-2	<u>13,673.07</u>	<u>26,654.80</u>
			74,476.30
<u>DECREASED BY:</u>			
Transfer to Current Fund as Miscellaneous Revenue	C-2		<u>\$ 18,000.00</u>
<u>BALANCE, DECEMBER 31, 2016</u>	C		<u><u>\$ 56,476.30</u></u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
WATER AND SEWER UTILITY FUND
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance, December 31</u>	
		<u>2016</u>	<u>2015</u>
Operating Fund:			
Cash, Treasurer	D-5	\$ <u>1,905,911.23</u>	\$ <u>1,867,212.27</u>
		<u>1,905,911.23</u>	<u>1,867,212.27</u>
Receivables and Inventory with Offsetting Reserves:			
Consumer Accounts Receivable	D-7	321,563.87	333,079.54
Inventory	D-8	<u>31,006.45</u>	<u>31,774.04</u>
		<u>352,570.32</u>	<u>364,853.58</u>
 Total Operating Fund		 <u>2,258,481.55</u>	 <u>2,232,065.85</u>
Capital Fund:			
Cash, Treasurer	D-5, D-6	210,679.93	192,552.25
Accounts Receivable - NJEIT Loan Receivable	D-14	299,954.34	
Fixed Capital	D-15	13,416,802.42	13,336,802.42
Fixed Capital Authorized and Uncompleted	D-16	<u>3,960,000.00</u>	<u>2,339,859.69</u>
 Total Capital Fund		 <u>17,887,436.69</u>	 <u>15,869,214.36</u>
		 <u>\$ 20,145,918.24</u>	 <u>\$ 18,101,280.21</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
WATER AND SEWER UTILITY FUND
DECEMBER 31, 2016 AND 2015

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance, December 31</u>	
		<u>2016</u>	<u>2015</u>
Operating Fund:			
Appropriation Reserves	D-4, D-9	\$ 340,515.11	\$ 523,533.32
Reserve for Encumbrances	D-10	351,400.43	123,447.54
Consumer Overpayments	D-11	8,135.40	5,501.55
Commitments Payable	D-12	205,592.28	189,941.87
Accrued Interest on Bonds, Loans and Notes	D-13	48,689.65	49,014.35
		<u>954,332.87</u>	<u>891,438.63</u>
Reserve for Receivables and Inventory	Reserve	352,570.32	364,853.58
Fund Balance	D-1	951,578.36	975,773.64
Total Operating Fund		<u>2,258,481.55</u>	<u>2,232,065.85</u>
Capital Fund:			
Serial Bonds Payable	D-17	2,198,000.00	2,428,000.00
Bond Anticipation Notes	D-18	96,000.00	120,000.00
NJEIT Loan:			
Federal	D-19	2,833,560.03	1,346,960.75
State	D-19	1,638,430.00	1,190,628.00
Improvement Authorizations:			
Funded	D-20		19,859.69
Unfunded	D-20	1,733,959.44	74,304.53
Capital Improvement Fund	D-21	60,087.05	30,087.05
Reserve for:			
Encumbrances	D-22	276,580.07	2,096,839.50
Paint Water Tower	D-23	50,000.00	50,000.00
Amortization	D-24	8,590,684.39	8,202,873.36
Deferred Reserve for Amortization	D-25	335,100.00	255,100.00
Fund Balance	D-2	75,035.71	54,561.48
Total Capital Fund		<u>17,887,436.69</u>	<u>15,869,214.36</u>
		<u>\$ 20,145,918.24</u>	<u>\$ 18,101,280.21</u>

There were Water-Sewer Utility Bonds and Notes Authorized but not Issued at December 31, 2016 and 2015 in the amount of \$1,685,028.00 and \$2,133,100.00 respectively (Exhibit D-26 of Supplementary Schedules).

See Notes to Financial Statements

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

	<u>Ref.</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	D-3	\$ 500,814.15	\$ 338,803.55
Water Rents	D-3	2,361,545.68	2,361,793.73
Water Tower Rental Fees	D-3	144,690.86	87,858.05
Morel Assessment	D-3	50,000.00	50,000.00
Nonbudget Revenues	D-3	41,450.15	30,518.92
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-9	215,955.83	291,852.24
Cancellation of Current Appropriations	D-4	<u>60,776.35</u>	<u>3,144.18</u>
Total Income		<u>\$ 3,375,233.02</u>	<u>\$ 3,163,970.67</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operating	D-4	\$ 2,153,200.73	\$ 1,959,610.74
Capital Improvements	D-4	30,000.00	160,000.00
Debt Service	D-4	595,940.00	513,085.01
Deferred Charges and Statutory Expenditures	D-4	79,473.42	75,107.80
Refund of Prior Year's Revenue	D-12	<u>40,000.00</u>	
Total Expenditures		<u>\$ 2,898,614.15</u>	<u>\$ 2,707,803.55</u>
Excess in Revenue over Expenditures		\$ 476,618.87	\$ 456,167.12
Statutory Excess to Fund Balance		\$ 476,618.87	456,167.12
Fund Balance, January 1	D	<u>975,773.64</u>	<u>858,410.07</u>
		<u>\$ 1,452,392.51</u>	<u>\$ 1,314,577.19</u>
Decreased By:			
Utilization as Anticipated Revenue	D-1	<u>500,814.15</u>	<u>338,803.55</u>
Fund Balance, December 31	D	<u>\$ 951,578.36</u>	<u>\$ 975,773.64</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>BALANCE, DECEMBER 31, 2015</u>	<u>Ref.</u> D		\$ 54,561.48
 <u>INCREASED BY:</u>			
Cancellation of Funded Improvement Authorizations	D-20	\$ 19,859.71	
Premium on Sale of Bond Anticipation Notes	D-5	<u>614.52</u>	<u>20,474.23</u>
 <u>BALANCE, DECEMBER 31, 2016</u>	 D		 \$ <u><u>75,035.71</u></u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Operating Fund Balance Anticipated	D-1	\$ 500,814.15	\$ 500,814.15	
Water-Sewer Rents	D-7	2,220,000.00	2,361,545.68	\$ 141,545.68
Water Tower Rental Fees	D-5	87,800.00	144,690.86	56,890.86
Moral Assessment	D-5	<u>50,000.00</u>	<u>50,000.00</u>	
		\$ 2,858,614.15	\$ 3,057,050.69	\$ 198,436.54
 Nonbudget Revenue	 D-5	 <u> </u>	 <u>41,450.15</u>	 <u>41,450.15</u>
		\$ <u>2,858,614.15</u>	\$ <u>3,098,500.84</u>	\$ <u>239,886.69</u>
	<u>Ref.</u>	D-4		

ANALYSIS OF REALIZED REVENUE

	<u>Total</u>
Nonbudget Revenue:	
Interest/Costs Water	\$ 14,336.93
Water/Sewer Service Tie In	4,100.00
Outside Water Readers	100.00
Final Billing Fee	2,850.00
Tax Sale Cost	148.30
Cit-E-Net Fees	678.60
Miscellaneous	<u>19,236.32</u>
	D-5 \$ <u>41,450.15</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
WATER AND SEWER UTILITY REGULATORY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

			- Expended -			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
<u>OPERATING</u>						
Salaries and Wages	\$ 373,700.00	\$ 348,700.00	\$ 290,805.34		\$ 57,894.66	
Other Expenses - Operating	798,290.00	691,790.00	446,684.69	\$ 137,885.84	107,219.47	
Water Purchase - City of New Brunswick	360,000.00	458,000.00	351,389.77	105,751.71	858.52	
Sewer Disposal - City of New Brunswick	485,000.00	598,500.00	323,286.43	107,762.88	167,450.69	
Sewer Back Charges - City of New Brunswick	46,210.73	46,210.73	46,210.73			
Terminal Leave	10,000.00	10,000.00	10,000.00			
	<u>\$ 2,073,200.73</u>	<u>\$ 2,153,200.73</u>	<u>\$ 1,468,376.96</u>	<u>\$ 351,400.43</u>	<u>\$ 333,423.34</u>	<u></u>
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00			
Capital Outlay	80,000.00				\$	
	<u>\$ 110,000.00</u>	<u>\$ 30,000.00</u>	<u>\$ 30,000.00</u>		<u>\$</u>	<u></u>
<u>DEBT SERVICE</u>						
Payment of Bond Principal	\$ 230,000.00	\$ 230,000.00	\$ 230,000.00			
Payment of Bond Anticipation Notes and Capital Notes	24,000.00	24,000.00	24,000.00			
Interest on Bonds	62,687.00	62,687.00	62,687.00			
Interest on Notes	1,093.00	1,093.00	1,015.35			\$ 77.65
NJEIT Program - Principal & Interest	278,160.00	278,160.00	217,461.30			60,698.70
	<u>\$ 595,940.00</u>	<u>\$ 595,940.00</u>	<u>\$ 535,163.65</u>			<u>\$ 60,776.35</u>
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	\$ 40,473.42	\$ 40,473.42	\$ 40,473.42			
Social Security System (O.A.S.I.)	29,000.00	29,000.00	21,908.23		\$ 7,091.77	
Unemployment Compensation Insurance (NJSA 43:21 et. Seq.)	10,000.00	10,000.00	10,000.00			
	<u>\$ 79,473.42</u>	<u>\$ 79,473.42</u>	<u>\$ 72,381.65</u>		<u>\$ 7,091.77</u>	<u></u>
Total Deferred Charges and Statutory Expenditures	<u>\$ 79,473.42</u>	<u>\$ 79,473.42</u>	<u>\$ 72,381.65</u>		<u>\$ 7,091.77</u>	<u></u>
Total Water and Sewer Utility Appropriations	<u>\$ 2,858,614.15</u>	<u>\$ 2,858,614.15</u>	<u>\$ 2,105,922.26</u>	<u>\$ 351,400.43</u>	<u>\$ 340,515.11</u>	<u>\$ 60,776.35</u>
	Ref.	D-3	D-1	D, D-10	D	D-1
Cash Disbursed			\$ 1,979,048.88			
Less: Contra Receipts			(619.55)	1,978,429.33		
Accrued Interest On Bonds, Loans and Notes				127,492.93		
				<u>\$ 2,105,922.26</u>		

BOROUGH OF MILLTOWN
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
ELECTRIC UTILITY FUND
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	Ref.	Balance, December 31	
		<u>2016</u>	<u>2015</u>
Operating Fund:			
Cash, Treasurer	E-5	\$ 4,293,290.75	\$ 2,869,534.85
Change Fund	E-6	100.00	100.00
Due from Electric Utility Capital Fund	E-5		1,000,000.00
		<u>4,293,390.75</u>	<u>3,869,634.85</u>
Receivables and Inventory with Offsetting Reserves:			
Consumer Accounts Receivable	E-8	721,433.22	762,768.21
Inventory	E-9	88,405.50	51,155.00
		<u>809,838.72</u>	<u>813,923.21</u>
 Total Operating Fund		 <u>5,103,229.47</u>	 <u>4,683,558.06</u>
Capital Fund:			
Cash, Treasurer	E-5, E-7	138,937.56	
Accounts Receivable - NJEIT Loan Receivable	E-16	438,101.05	
Fixed Capital	E-17	6,616,229.77	6,616,229.77
Fixed Capital Authorized and Uncompleted	E-18	14,785,000.00	14,500,000.00
 Total Capital Fund		 <u>21,978,268.38</u>	 <u>21,116,229.77</u>
		 <u>\$ 27,081,497.85</u>	 <u>\$ 25,799,787.83</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
ELECTRIC UTILITY FUND
DECEMBER 31, 2016 AND 2015

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance</u>	
		<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
Operating Fund:			
Appropriation Reserves	E-4, E-10	\$ 667,672.98	\$ 1,166,188.76
Reserve for Encumbrances	E-11	482,658.12	227,454.48
Consumer Overpayments	E-12	14,613.34	11,545.56
Consumer Deposits	E-13	122,017.26	119,392.76
Commitments Payable	E-14	66,581.70	64,309.53
Accrued Interest on Bonds, Loans and Notes	E-15	<u>55,743.82</u>	<u>2,147.48</u>
		<u>1,409,287.22</u>	<u>1,591,038.57</u>
Reserve for Receivables and Inventory	Reserve	809,838.72	813,923.21
Fund Balance	E-1	<u>2,884,103.53</u>	<u>2,278,596.28</u>
Total Operating Fund		<u>5,103,229.47</u>	<u>4,683,558.06</u>
Capital Fund:			
Cash Overdraft	E-5, E-7		1,059,019.01
Serial Bonds Payable	E-19	1,514,000.00	1,649,000.00
Bond Anticipation Notes	E-20	152,000.00	10,190,000.00
NJEIT Loan:			
Federal	E-21	7,574,237.29	
State	E-21	3,345,000.00	
Due to Electric Utility Operating Fund	E-5		1,000,000.00
Improvement Authorizations:			
Funded	E-22	4,041.80	8,687.20
Unfunded	E-22	480,572.73	792,816.06
Capital Improvement Fund	E-23	12,321.81	12,321.81
Reserve for:			
Encumbrances	E-23	512,677.18	1,120,806.24
Line Extensions	E-24	7,700.00	7,700.00
Amortization	E-27	5,276,517.48	4,837,754.77
Deferred Reserve for Amortization	E-25	2,799,475.00	139,475.00
Fund Balance	E-2	<u>299,725.09</u>	<u>298,649.68</u>
Total Capital Fund		<u>21,978,268.38</u>	<u>21,116,229.77</u>
		<u>\$ 27,081,497.85</u>	<u>\$ 25,799,787.83</u>

There were Electric Utility Bonds and Notes Authorized but not Issued at December 31, 2016 and 2015 in the amount of \$740,000 and \$4,300,000.00 respectively (Exhibit E-28 of Supplementary Schedules).

See Notes to Financial Statements

BOROUGH OF MILLTOWN
ELECTRIC UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

	Ref.	<u>Year 2016</u>	<u>Year 2015</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Electric Charges	E-3	\$ 7,983,114.92	\$ 8,094,391.90
Nonbudget Revenues	E-3	130,386.57	100,020.90
Other Credits to Income:			
Current Appropriations Canceled			467,485.89
Unexpended Balance of Appropriation Reserves	E-10	<u>1,039,316.76</u>	<u>1,242,175.49</u>
Total Income		<u>\$ 9,152,818.25</u>	<u>\$ 9,904,074.18</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operating	E-4	\$ 6,503,550.00	\$ 6,445,445.00
Capital Improvements	E-4	55,000.00	55,000.00
Debt Service	E-4	663,220.00	658,680.00
Deferred Charges and Statutory Expenditures	E-4	153,200.00	139,915.80
Surplus - General Budget			622,341.00
Cancellation of Receivable			<u>112.50</u>
Total Expenditures		<u>\$ 7,374,970.00</u>	<u>\$ 7,921,494.30</u>
Excess in Revenue over Expenditures		<u>1,777,848.25</u>	<u>1,982,579.88</u>
Statutory Excess to Fund Balance		\$ 1,777,848.25	\$ 1,982,579.88
Fund Balance, January 1	E	<u>2,278,596.28</u>	<u>885,016.40</u>
		\$ 4,056,444.53	\$ 2,867,596.28
Decreased by:			
Surplus - Prior Years - General Budget	E-5	<u>\$ 1,172,341.00</u>	<u>\$ 589,000.00</u>
		<u>\$ 1,172,341.00</u>	<u>\$ 589,000.00</u>
Fund Balance, December 31	E	<u>\$ 2,884,103.53</u>	<u>\$ 2,278,596.28</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
ELECTRIC UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>BALANCE, DECEMBER 31, 2015</u>	<u>Ref.</u> E	\$ 298,649.68
<u>INCREASED BY:</u>		
Premium on Sale of Bond Anticipation Notes	E-5	<u>1,075.41</u>
<u>BALANCE, DECEMBER 31, 2016</u>	E	<u>\$ <u>299,725.09</u></u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Electric, Light and Power Sales	E-8	\$ <u>7,374,970.00</u>	\$ <u>7,983,114.92</u>	\$ <u>608,144.92</u>
Nonbudget Revenue	E-3	<u> </u>	<u>130,386.57</u>	<u>130,386.57</u>
		<u>\$ 7,374,970.00</u>	<u>\$ 8,113,501.49</u>	<u>\$ 738,531.49</u>
	<u>Ref.</u>	E-4		

ANALYSIS OF NONBUDGET REVENUE

	<u>Ref.</u>	<u>Total</u>
Nonbudget Revenue:		
Interest on Costs		\$ 46,122.00
Cit-E-Net Fees		1,890.45
Ryders Lane Light		377.24
Reconnect Charge		50.00
Final Billing		5,150.00
Tax Sale		807.83
NSF Check Fee		20.00
Miscellaneous		<u>75,969.05</u>
	E-5	<u>\$ 130,386.57</u>

See Notes to Financial Statements

BOROUGH OF MILLTOWN
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

			- Expended -		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>
<u>OPERATING</u>					
Salaries and Wages	\$ 768,400.00	\$ 768,400.00	\$ 580,717.18		\$ 187,682.82
Other Expenses	1,125,150.00	1,125,150.00	773,771.09	\$ 42,418.77	308,960.14
Bulk Energy Purchase	4,600,000.00	4,600,000.00	4,060,463.81	440,239.35	99,296.84
Terminal Leave	10,000.00	10,000.00	10,000.00		
Total Operating	<u>6,503,550.00</u>	<u>6,503,550.00</u>	<u>5,424,952.08</u>	<u>482,658.12</u>	<u>595,939.80</u>
<u>CAPITAL IMPROVEMENTS</u>					
Capital Outlay	55,000.00	55,000.00			55,000.00
Total Capital Improvements	<u>55,000.00</u>	<u>55,000.00</u>			<u>55,000.00</u>
<u>DEBT SERVICE</u>					
Payment of Bond Principal	135,000.00	135,000.00	135,000.00		
Payment of Bond Anticipation Notes	38,000.00	38,000.00	38,000.00		
Interest on Bonds	50,353.00	50,353.00	50,353.00		
Interest on Notes	1,730.00	1,730.00	1,730.00		
NJEIT Principal and Interest	438,137.00	438,137.00	438,137.00		
Total Debt Service	<u>663,220.00</u>	<u>663,220.00</u>	<u>663,220.00</u>		
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	84,100.00	84,100.00	84,100.00		
Social Security System (O.A.S.I.)	59,100.00	59,100.00	42,366.82		16,733.18
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	10,000.00	10,000.00	10,000.00		
Total Deferred Charges and Statutory Expenditures	<u>153,200.00</u>	<u>153,200.00</u>	<u>136,466.82</u>		<u>16,733.18</u>
Total Electric Utility Appropriations	<u>\$ 7,374,970.00</u>	<u>\$ 7,374,970.00</u>	<u>\$ 6,224,638.90</u>	<u>\$ 482,658.12</u>	<u>\$ 667,672.98</u>
	Ref.	E-3	E-3	E, E-11	E
Cash Disbursed	E-5		\$ 6,034,989.81		
Contra Receipts	E-5		(34,808.20)	6,000,181.61	
Accrued Interest on Bonds and Notes	E-15			224,457.29	
			<u>\$ 6,224,638.90</u>		

See Notes to Financial Statements

BOROUGH OF MILLTOWN
GOVERNMENTAL FIXED ASSETS ACCOUNT
SCHEDULE OF CHANGES IN GOVERNMENTAL FIXED ASSETS

	<u>Balance December 31, 2015</u>	<u>Increased by</u>	<u>Decreased by</u>	<u>Balance December 31, 2016</u>
Governmental Fixed Assets:				
Land and Buildings	\$ 6,204,950.00			\$ 6,204,950.00
Vehicles	3,277,536.00	\$ 1,241,445.00	\$ 1,092,998.00	3,425,983.00
Equipment	3,564,334.00	936,412.00		4,500,746.00
	<u>\$ 13,046,820.00</u>	<u>\$ 2,177,857.00</u>	<u>\$ 1,092,998.00</u>	<u>\$ 14,131,679.00</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity - The Borough of Milltown is located in Middlesex County, New Jersey, just outside the City of New Brunswick and approximately 35 miles south of New York City and 50 miles North of Philadelphia. The population, according to the 2010 census, is 6,968.

The Borough of Milltown operates under the Borough form of government. The governing body consists of a Mayor and six Council members. All action is passed by a majority or, when required, a 2/3 vote of Council. The Mayor votes only in the event of a tie. The Mayor has veto power over all ordinances passed by the Borough Council. This veto can be overridden by a two-thirds (2/3) vote of the Council.

The financial statements do not include the operations of the Municipal Library, Redevelopment Agency or Volunteer Fire Companies, which are distinct entities subject to separate examinations or accounting requirements.

- B. Description of Funds - The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental accounting and financial reporting principles. However, the accounting policies of the Borough conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These principles are an "Other Comprehensive Basis of Accounting" (OCBOA) which differs from accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds and an account which differs from GAAP.

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal, State and County grant programs are reflected in a segregated section of the Current Fund.

Trust Fund - The records of receipts, disbursement and custodianship of monies in accordance with the purpose for which each reserve was created are maintained in Trust Funds. These include the Animal Control Trust Fund, Trust Other Fund, Public Assistance Fund and other required funds.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as related long-term debt accounts.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. **Description of Funds (Continued)**

Utilities Funds – Water-Sewer and Electric Utilities are treated as separate entities. Each maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Free Public Library - Budget Appropriations and State Aid are transferred to the Free Public Library bank account and are expended with the approval of the Library for its purposes. Interest on investments, Library fines and other revenue are retained by the Library and expended there from. The Library is the subject of a separate report.

Payroll Trust Fund - Net salaries, certain payroll deductions and social security contributions of municipal and utility operations are deposited into bank accounts of the Payroll Fund. Other deductions are retained by the operating funds and paid directly there from. A Payroll Fund does not exist under GAAP.

Fixed Asset Accounts - These accounts reflect estimated valuations of land, buildings and certain moveable fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

- C. **Basis of Accounting** - The accounting principles and practices prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from GAAP. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey are summarized as follows:

Property Taxes and Other Revenue - Property Taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

Expenditures - Expenditures for general and utility operations are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts that may have been canceled by the governing body or by statutory regulation, are automatically recorded as liabilities at December 31st of each year, under the title of "Appropriation Reserves".

Grant appropriations are charged upon budget adoption to create spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

Budget Appropriations for interest on General Capital Long-Term Debt is raised on the cash basis and is not accrued on the records; interest on Utility Debt is raised on the accrual basis and so recorded.

GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that contractual orders outstanding at December 31 are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

Property Acquired for Taxes - Property Acquired for Taxes (Foreclosed Property) is recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the general fixed assets account group at market value on the date of acquisition.

Interfund Accounts Receivable - Interfund Accounts Receivable in the Current Fund are generally recorded with offsetting reserves that are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfund Accounts Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfund Accounts Receivable of one fund are offset with Interfund Accounts Payable of the opposite fund. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - Materials and supplies purchased by all funds are recorded as expenditures.

An annual inventory of materials and supplies for the Water-Sewer and Electric utilities is required, by regulation, to be prepared by Borough personnel for inclusion on the Water-Sewer and Electric Utility Operating Fund balance sheets. Annual changes in valuations, offset with a Reserve Account, are not considered as affecting results of operations. Materials and supplies of other funds are not inventoried nor included on their respective balance sheets.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Assets

General - In accordance with Technical Accounting Directive No. 86-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from GAAP, the Borough of Milltown has developed a fixed asset accounting and reporting system.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded.

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

Acquisition of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record.

Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established fixed assets are valued at cost.

Depreciation of assets is not recorded as an operating expense of the Borough.

Utilities - Capital acquisitions, including utility infrastructure costs of the Water-Sewer and Electric Utilities, are recorded at cost upon purchase or project completion in the Fixed Capital account of the utilities. The Fixed Capital Accounts are adjusted for dispositions or abandonments. The accounts include moveable fixed assets of the Utility but are not specifically identified and are considered as duplicated in the Fixed Asset Group of Accounts. The duplication is considered as insignificant on its effect on the financial statements taken as a whole.

Utility improvements that may have been constructed by developers are not recorded as additions to Fixed Capital.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Assets (Continued)

Fixed Capital of the Utilities are offset by accumulations in Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developer contributions or liquidations of related bonded debt and other liabilities incurred upon fixed asset acquisition.

The Borough has developed a governmental fixed asset accounting and reporting system and, accordingly, a Statement of Governmental Fixed Assets, which is required pursuant to generally accepted accounting principles and accounting practices prescribed for municipalities by the State of New Jersey, is included in the financial statements.

Total Columns on Combined Balance Sheet for all Funds – Supplementary Schedules - Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

E. Subsequent Event

Management has reviewed and evaluated all events and transactions from December 31, 2016 through June 27, 2017, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Borough that would require disclosure.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. **Other Accounting Standards**

The Borough is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 74. Financial Reporting for Postemployment Benefit Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Borough does not expect this Statement to have an impact on its financial statements.

- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Borough does not expect this Statement to have an impact its financial statements.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Other Accounting Standards (Continued)

- *GASB Statement No. 76. The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The Borough does not expect this Statement to impact its financial statements.

- *GASB Statement No. 77. Tax Abatement Disclosures.* Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Borough does not expect this Statement to impact its financial statements.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Other Accounting Standards (Continued)

- *GASB Statement No. 78. Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement,

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Borough does not expect this Statement to impact its financial statements.

- *GASB Statement No. 79. Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting period beginning after December 15, 2015. The Borough does not expect this Statement to impact its financial statements.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. **Other Accounting Standards (Continued)**

- *GASB Statement No. 82. Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal yearend. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Borough does not expect this Statement to impact its financial statements.

- *GASB Statement No. 83. Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Borough does not expect this Statement to impact its financial statements.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Other Accounting Standards (Continued)

- *GASB Statement No. 84. Fiduciary Activities.* This objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Borough does not expect this Statement to impact its financial statements.

- *GASB Statement No. 85. Omnibus 2017.* This objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The Borough does not expect this Statement to impact its financial statements.

- *GASB Statement No. 86. Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The Borough does not expect this Statement to impact its financial statements.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

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 any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the arbitrage maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in the Municipal Bond Insurance Association (MBIA) through their investment management company, the Municipal Investors Service Corporation.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or

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

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 \$25,000,000.00.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

In addition, a variety of State laws permit local governments to invest in a wide range of obligations issued by State governments and its agencies.

C. Risk

As of December 31, 2016, the Borough had funds on deposit in checking, New Jersey Cash Management Fund, statement savings accounts and certificates of deposit. The carrying amount of the Borough's Cash and Cash Equivalents as of December 31, 2016 was \$9,793,310.15. The funds were covered by the Government Unit Deposit Protection Act "GUDPA". These funds constitute "deposits with financial institutions" as defined by GASB Statement #3 as amended by GASB Statement No. 40. There were no securities that the Borough held that could be categorized as investments.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 3. **TAXES AND TAX TITLE LIENS RECEIVABLE**

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Borough, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the Board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and are calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy is based on one-half of the current year's total tax.

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency as billed prior to the end of the fiscal year. The penalty so fixed shall not exceed 6% of the amount of the delinquency with respect to each most recent fiscal year only. The resolution also sets a grace period of ten days before interest is calculated.

Taxes unpaid on the 11th day of the eleventh month in the fiscal year when the taxes became in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 3. **TAXES AND TAX TITLE LIENS RECEIVABLE (CONTINUED)**

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

Comparative Schedule of Tax Rates

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	\$ 5.310	\$ 5.199	\$ 5.016	\$ 4.871	\$ 4.702
Apportionment of Tax Rate:					
Municipal:					
Regular	0.693	1.092	1.065	1.035	1.004
Library	0.058	0.063	0.063	0.067	0.068
County:					
Regular	1.147	0.703	0.705	0.712	0.671
Open Space	0.063	0.058	0.058	0.061	0.062
Local School	3.349	3.283	3.125	2.996	2.897

Assessed Valuation

2016	\$ 447,408,700.00
2015	447,789,600.00
2014	449,462,134.00
2013	450,580,758.00
2012	454,712,953.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2016	\$ 23,803,102.55	\$ 23,305,386.62	97.91%
2015	23,280,722.46	22,898,148.15	98.36%
2014	22,555,381.08	22,149,868.26	98.20%
2013	21,965,078.62	21,580,924.96	98.25%
2012	21,382,608.39	20,965,413.94	98.05%

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 3. TAXES AND TAX TITLE LIENS RECEIVABLE (CONTINUED)

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	\$ 1,635,672.10	\$ 121,235.57	\$ 1,756,907.67	7.38%
2015	1,292,927.53 *	19,417.60	1,312,345.13	5.67%
2014	957,437.67	13,777.74	971,215.41	4.31%
2013	633,579.92	5,411.79	638,991.71	2.91%
2012	319,681.94	None	319,681.94	1.50%

* The Borough, for year 2015 and prior, utilized the accelerated tax sale method for current year tax delinquencies. The annual accelerated tax sale was discontinued in 2016. Of the tax title liens all are owned by the same entity and are in bankruptcy.

Note 4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

Properties were acquired by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2016	\$ 3,400.00
2015	3,400.00
2014	3,400.00
2013	3,400.00
2012	3,400.00

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 5. UTILITY RECEIVABLES AND COLLECTIONS

The Borough operates an Electric Utility and a Water-Sewer for the benefit of its residents.

Comparison of Electric Utility Levies and Collections

The Borough's Electric Utility Customers are billed monthly based on usage.

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *
2016	\$ 7,941,779.93	\$ 7,983,114.92
2015	8,186,468.86	8,094,391.90
2014	7,974,551.89	8,105,594.29
2013	8,280,024.00	8,083,644.15
2012	8,278,060.58	8,513,850.00

* Cash collections include amounts that were levied in prior years.

Comparison of Water-Sewer Levies and Collections

The Borough's Water-Sewer Utility Customers are billed based on usage quarterly on a cycle basis.

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *
2016	\$ 2,350,030.01	\$ 2,361,545.68
2015	2,327,331.82	2,361,249.30
2014	2,315,606.45	2,323,595.36
2013	2,310,866.50	2,222,692.02
2012	2,335,068.27	2,413,232.06

* Cash collections include amounts that were levied in prior years.

Any unpaid levies are subject to the same provision as unpaid taxes under the provision of the New Jersey Statutes.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 6. **FUND BALANCES APPROPRIATED**

The following schedule details the amount of fund balances available at the end of each year and the amounts utilized in the subsequent year's budget.

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Transferred to Current Fund as Revenue in Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>				
2016	\$ 917,707.45	\$ 861,500.00	N/A	93.88%
2015	728,214.89	675,000.00	N/A	92.69%
2014	477,634.47	447,000.00	N/A	93.59%
2013	502,604.36	330,000.00	N/A	65.66%
2012	242,788.17	200,000.00	N/A	82.38%
<u>Water-Sewer Utility Operating Fund</u>				
2016	\$ 951,578.36	\$ 796,651.73	\$ None	83.72%
2015	975,773.64	500,814.15	None	51.32%
2014	858,410.07	338,803.55	None	39.47%
2013	622,048.60	206,413.04	None	33.18%
2012	663,298.91	316,770.00	None	47.76%
<u>Electric Utility Operating Fund</u>				
2016	\$ 2,884,103.53	\$ None	\$ 1,614,341.00	55.97%
2015	2,278,596.28	None	1,172,341.00	51.45%
2014	885,016.40	None	622,341.00	70.32%
2013	1,107,817.98	50,000.00	622,341.00	56.18%
2012	1,094,048.36	199,375.00	622,341.00	56.88%

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 7. **DEFERRED CHARGES**

The Borough's General Capital Fund reflects Deferred Charges to Future Taxation Unfunded that must be raised in the annual budgets since there is no debt authorization available to finance a portion of the projects.

<u>Improvement Authorization</u>	<u>Original Amount</u>	<u>Balance December 31, 2016</u>	<u>Raised in 2017 Budget</u>	<u>To be Raised in Subsequent Years Budgets</u>
Improvements to Boaream Ave Ochi Ave and Main Street Ordinance #1074	\$ 66,648.50	\$ 26,658.50	\$ 13,330.00	\$ 13,328.50
Improvements to South Street Phase I and Other Roads Ordinance #1329/1352	43,922.91	<u>43,922.91</u>	<u>8,784.58</u>	<u>35,138.33</u>
		<u>\$ 70,581.41</u>	<u>\$ 22,114.58</u>	<u>\$ 48,466.83</u>

It is anticipated that funds will be provided in future budgets to finance these deferred charges.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT**

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

Summary of Municipal Debt (Excluding Current and Operating Debt)

	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
Issued:			
General:			
Bonds, Loans and Notes	\$ 6,131,657.77	\$ 5,836,269.99	\$ 4,894,614.00
Electric Utility:			
Bonds, Loans and Notes	12,585,237.29	11,839,000.00	3,784,000.00
Water-Sewer Utility:			
Bonds, Loans and Notes	<u>6,765,990.03</u>	<u>5,085,588.75</u>	<u>5,342,114.00</u>
Total Issued	<u>\$ 25,482,885.09</u>	<u>\$ 22,760,858.74</u>	<u>\$ 14,020,728.00</u>
Authorized But Not Issued:			
General:			
Bonds, Loans and Notes	\$ 1,762,000.00	\$ 1,386,000.00	\$ 2,001,046.51
Electric Utility:			
Bonds, Loans and Notes	740,000.00	4,300,000.00	12,239,000.00
Water-Sewer Utility:			
Bonds, Loans and Notes	<u>1,685,028.00</u>	<u>2,133,100.00</u>	<u>1,661,632.00</u>
Total Authorized But Not Issued	<u>\$ 4,187,028.00</u>	<u>\$ 7,819,100.00</u>	<u>\$ 15,901,678.51</u>
Net Bonds, Loans and Notes Issued and Authorized But Not Issued	<u>\$ 29,669,913.09</u>	<u>\$ 30,579,958.74</u>	<u>\$ 29,922,406.51</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Summary of Statutory Debt Condition, Annual Debt Statement

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statutory net debt of .915%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 4,702,000.00	\$ 4,702,000.00	\$ None
Electric Utility	13,325,237.29	13,325,237.29	None
Water-Sewer Utility	8,451,018.03	8,451,018.03	None
General Capital	<u>7,893,657.77</u>	<u>None</u>	<u>7,893,657.77</u>
	<u>\$ 34,371,913.09</u>	<u>\$ 26,478,255.32</u>	<u>\$ 7,893,657.77</u>

Net Debt \$7,893,657.77 divided by Equalized Valuation basis per N.J.S. 40A:2-2 As Amended, \$862,676,425.33 equals .915%. The Annual Debt Statement has been filed.

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

3½% of Average Equalized Valuation Basis (Municipal)	\$ 30,193,674.89
Net Debt	<u>7,893,657.77</u>
Remaining Borrowing Power	<u>\$ 22,300,017.12</u>

School Debt Deduction

School debt is deductible up to the extent of 3.0% of the Average Equalized Assessed Valuation of real property for the Local School District.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

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

Cash Receipts for Fees, Rents and Other Charges for the Year		\$ 8,037,532.44
Deductions:		
Operating and Maintenance Costs	\$ 6,656,750.00	
Debt Service	<u>663,220.00</u>	
Total Deductions		<u>7,319,970.00</u>
Excess in Revenue		<u>\$ 717,562.44</u>

There being an excess in revenue for the Electric Utility, the fund was self liquidating and therefore, all the related debt is deductible for purposes of the annual debt statement and resultant net debt calculation.

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

Cash Receipts for Fees, Rents and Other Charges for the Year		\$ 3,079,264.52
Deductions:		
Operating and Maintenance Costs	\$ 2,152,674.15	
Debt Service	<u>535,163.65</u>	
Total Deductions		<u>2,687,837.80</u>
Excess in Revenue		<u>\$ 391,426.72</u>

There being an excess in revenue for the Water-Sewer Utility, the fund was not self liquidating and therefore, all the related debt is deductible for purposes of the annual debt statement and resultant net debt calculation.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Long-Term Debt

As of December 31, 2016, the Borough's long-term debt is as follows:

General Capital Fund - Serial Bonds:

\$2,250,000.00 General Obligation Refunding Bonds,
 Series 2013. Annual maturities of \$190,000.00 to
 \$210,000.00 through August 1, 2025 at interest rates
 ranging from 2.0% to 3.0%.

\$ 1,805,000.00 **

\$2,580,000.00 General Obligation Bonds, Series 2013
 Annual maturities of \$130,000.00 to \$200,000.00
 through December 15, 2027 at interest rates ranging
 from 3.0% to 3.5%.

2,080,000.00 *

\$ 3,885,000.00

Electric Utility Capital - Serial Bonds:

\$1,854,000.00 Electric Utility Bonds, Series 2013
 Annual remaining maturity of \$135,000.00 to \$140,000.00
 through December 15, 2027 at interest rates ranging
 from 3.0% to 3.5%.

\$ 1,514,000.00 *

\$ 1,514,000.00

Water-Sewer Utility Capital Fund - Serial Bonds:

\$2,270,000.00 Water-Sewer System Refunding Bonds,
 Series 2013 - Annual maturities from \$190,000.00 to
 \$215,000.00 through August 1, 2025 interest rates
 ranging from 2.0% to 3.0%.

\$ 1,825,000.00 **

\$448,000.00 Water-Sewer System Improvement Bonds,
 Series 2013 - Annual remaining maturity of \$25,000.00
 to \$40,000.00 through December 15, 2021 at interest
 rates ranging from 3.0% to 3.5%.

373,000.00 *

\$ 2,198,000.00

\$ 7,597,000.00

* The General Obligation Bonds Series 2013 are subject to early redemption.

** The General Obligation Refunding Bonds 2013 are subject to early redemption.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. MUNICIPAL DEBT (CONTINUED)

Long-Term Debt (Continued)

Redemption Provisions

General Obligation Bonds 2013 – the bonds maturing on or before December 15, 2022 are not subject to redemption prior to their stated maturity. The bonds of each series maturing on or after December 12, 2023 are subject to redemption prior to maturity at the option of the Borough, as a whole or in part on any date on or after December 15, 2022 at the redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for redemption.

General Obligation Refunding Bonds 2013 – the bonds maturing on or before August 1, 2023 are not subject to redemption prior to their stated maturity. The bonds of each series maturing on or after August 1, 2024 are subject to redemption prior to maturity at the option of the Borough, as a whole or in part on any date on or after August 1, 2023, at the redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. MUNICIPAL DEBT (CONTINUED)

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

Calendar Year	General Capital Fund		
	Principal	Interest	Total
2017	\$ 405,000.00	\$ 109,906.26	\$ 514,906.26
2018	405,000.00	97,756.26	502,756.26
2019	410,000.00	85,606.26	495,606.26
2020	405,000.00	75,406.26	480,406.26
2021	405,000.00	65,306.26	470,306.26
	<u>2,030,000.00</u>	<u>433,981.30</u>	<u>2,463,981.30</u>
2022	400,000.00	55,206.26	455,206.26
2023	395,000.00	44,956.26	439,956.26
2024	390,000.00	33,106.26	423,106.26
2025	365,000.00	21,406.26	386,406.26
2026	175,000.00	10,237.50	185,237.50
	<u>1,725,000.00</u>	<u>164,912.54</u>	<u>1,889,912.54</u>
2027	<u>130,000.00</u>	<u>4,550.00</u>	<u>134,550.00</u>
	<u>\$ 3,885,000.00</u>	<u>\$ 603,443.84</u>	<u>\$ 4,488,443.84</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding (Continued)

Calendar Year	Electric Utility Capital Fund		
	Principal	Interest	Total
2017	\$ 135,000.00	\$ 46,640.00	\$ 181,640.00
2018	135,000.00	42,590.00	177,590.00
2019	135,000.00	38,540.00	173,540.00
2020	135,000.00	34,490.00	169,490.00
2021	135,000.00	30,440.00	165,440.00
	<u>675,000.00</u>	<u>192,700.00</u>	<u>867,700.00</u>
2022	140,000.00	26,390.00	166,390.00
2023	140,000.00	22,190.00	162,190.00
2024	140,000.00	17,990.00	157,990.00
2025	140,000.00	13,790.00	153,790.00
2026	140,000.00	9,415.00	149,415.00
	<u>700,000.00</u>	<u>89,775.00</u>	<u>789,775.00</u>
2027	<u>139,000.00</u>	<u>4,865.00</u>	<u>143,865.00</u>
	<u>\$ 1,514,000.00</u>	<u>\$ 287,340.00</u>	<u>\$ 1,801,340.00</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding (Continued)

<u>Calendar Year</u>	<u>Water-Sewer Utility Capital Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 240,000.00	\$ 58,380.00	\$ 298,380.00
2018	245,000.00	51,180.00	296,180.00
2019	240,000.00	43,830.00	283,830.00
2020	235,000.00	38,730.00	273,730.00
2021	230,000.00	33,730.00	263,730.00
	<u>1,190,000.00</u>	<u>225,850.00</u>	<u>1,415,850.00</u>
2022	230,000.00	28,830.00	258,830.00
2023	235,000.00	23,680.00	258,680.00
2024	235,000.00	16,630.00	251,630.00
2025	230,000.00	9,580.00	239,580.00
2026	40,000.00	2,630.00	42,630.00
	<u>970,000.00</u>	<u>81,350.00</u>	<u>1,051,350.00</u>
2027	<u>38,000.00</u>	<u>1,330.00</u>	<u>39,330.00</u>
	<u>\$ 2,198,000.00</u>	<u>\$ 308,530.00</u>	<u>\$ 2,506,530.00</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding (Continued)

Calendar Year	Total for all Funds - Bonds		
	Principal	Interest	Total
2017	\$ 780,000.00	\$ 214,926.26	\$ 994,926.26
2018	785,000.00	191,526.26	976,526.26
2019	785,000.00	167,976.26	952,976.26
2020	775,000.00	148,626.26	923,626.26
2021	770,000.00	129,476.26	899,476.26
	<u>3,895,000.00</u>	<u>852,531.30</u>	<u>4,747,531.30</u>
2022	770,000.00	110,426.26	880,426.26
2023	770,000.00	90,826.26	860,826.26
2024	765,000.00	67,726.26	832,726.26
2025	735,000.00	44,776.26	779,776.26
2026	355,000.00	22,282.50	377,282.50
	<u>3,395,000.00</u>	<u>336,037.54</u>	<u>3,731,037.54</u>
2027	<u>307,000.00</u>	<u>10,745.00</u>	<u>317,745.00</u>
	<u>\$ 7,597,000.00</u>	<u>\$ 1,199,313.84</u>	<u>\$ 8,796,313.84</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Schedule of Annual Debt Service for Principal and Interest for Bonded Loans Issued and Outstanding – New Jersey Department of Environmental Protection (NJDEP) Green Trust Loan

Calendar Year	NJDEP Green Trust - Mill Pond Park - General Capital Fund		
	Principal	Interest	Total
2017	\$ 13,885.83	\$ 3,484.07	\$ 17,369.90
2018	14,164.93	3,204.97	17,369.90
2019	14,449.65	2,920.25	17,369.90
2020	14,740.09	2,629.81	17,369.90
2021	15,036.36	2,333.54	17,369.90
	<u>72,276.86</u>	<u>14,572.64</u>	<u>86,849.50</u>
2022	15,338.59	2,031.31	17,369.90
2023	15,646.90	1,723.00	17,369.90
2024	15,961.41	1,408.49	17,369.90
2025	16,282.23	1,087.67	17,369.90
2026	16,609.50	760.40	17,369.90
	<u>79,838.63</u>	<u>7,010.87</u>	<u>86,849.50</u>
2027	16,943.35	426.55	17,369.90
2028	8,598.93	85.99	8,684.92
	<u>25,542.28</u>	<u>512.54</u>	<u>26,054.82</u>
	<u>\$ 177,657.77</u>	<u>\$ 22,096.05</u>	<u>\$ 199,753.82</u>

NJDEP Green Trust Loan of \$279,334.33 is for Improvements to Mill Pond Park – originating in 2008, principal and interest payable semi-annually commencing January 2009 through January 2028 at interest rate of 2.0%.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Schedule of Annual Debt Service for Principal and Interest for Bonded Loans Issued and Outstanding – Water-Sewer Capital Fund New Jersey Environmental Infrastructure Trust (NJEIT)

Water-Sewer Utility Capital Fund:

\$745,000.00 New Jersey Wastewater Trust 2008 - State Portion
 Annual maturities of \$35,000.00 to \$60,000.00 through
 August 1, 2028 at interest rates ranging from 5.0% to 5.5%. \$ 545,000.00

\$735,700.00 New Jersey Wastewater Trust 2008 - Federal Portion -
 Semi-annual maturities in varying amounts with an annual maximum
 of approximately \$38,000.00 per year through August 1, 2028.
 There is no interest being charged on this loan. 450,553.63
\$ 995,553.63

Water-Sewer Utility Capital Fund:

\$530,000.00 New Jersey Wastewater Trust 2012 - State Portion
 Annual maturities of \$20,000.00 to \$40,000.00 through
 August 1, 2031 at interest rates ranging from 3.0% to 5.0%. \$ 450,000.00

\$578,569.00 New Jersey Wastewater Trust 2012 - Federal Portion -
 Semi-annual maturities in varying amounts with an annual maximum
 of approximately \$29,419.00 per year through August 1, 2031.
 There is no interest being charged on this loan. 441,281.50
\$ 891,281.50

Water-Sewer Utility Capital Fund:

\$154,956.00 New Jersey Wastewater Trust 2013 - State Portion
 Annual maturities of \$7,237.00 to \$10,098.00 through
 August 1, 2032 at interest rates ranging from .74% to 3.26%. \$ 133,430.00

\$578,569.00 New Jersey Wastewater Trust 2013 - Federal Portion -
 Semi-annual maturities in varying amounts with a maximum
 of approximately \$22,728.00 per year through August 1, 2032.
 There is no interest being charged on this loan. 363,652.90
\$ 497,082.90

Water-Sewer Utility Capital Fund:

\$510,000.00 New Jersey Wastewater Trust 2016 (Fall) - State Portion
 Annual maturities of \$20,000.00 to \$40,000.00 through
 August 1, 2036 at interest rates ranging from 3.0% to 5.0%. \$ 510,000.00

\$1,578,072 New Jersey Wastewater Trust 2016 (Fall) - Federal Portion -
 Semi-annual maturities in varying amounts with an annual maximum
 of approximately \$80,240.94 per year through August 1, 2036.
 There is no interest being charged on this loan. 1,578,072.00
\$ 2,088,072.00

Total \$ 4,471,990.03

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

**Schedule of Annual Debt Service for Principal and Interest for Bonded Loans Issued
and Outstanding – Water-Sewer Capital Fund New Jersey Environmental
Infrastructure Trust (NJEIT) (Continued)**

Calendar Year	NJEIT Water-Sewer Utility Capital Fund		
	Federal	State	Total
2017	\$ 143,906.90	\$ 155,289.61	\$ 299,196.51
2018	169,594.10	158,224.30	327,818.40
2019	168,534.30	159,874.84	328,409.14
2020	170,449.49	160,986.88	331,436.37
2021	169,117.19	156,537.28	325,654.47
	<u>821,601.98</u>	<u>790,912.91</u>	<u>1,612,514.89</u>
2022	170,812.85	157,087.62	327,900.47
2023	169,314.01	157,362.20	326,676.21
2024	170,843.13	162,387.62	333,230.75
2025	169,329.15	157,136.66	326,465.81
2026	170,843.12	161,887.00	332,730.12
	<u>851,142.26</u>	<u>795,861.10</u>	<u>1,647,003.36</u>
2027	169,177.74	156,137.26	325,315.00
2028	170,540.55	156,336.90	326,877.45
2029	132,387.99	94,051.84	226,439.83
2030	132,387.99	96,758.62	229,146.61
2031	132,388.24	94,278.72	226,666.96
	<u>736,882.51</u>	<u>597,563.34</u>	<u>1,334,445.85</u>
2032	102,969.34	50,188.60	153,157.94
2033	80,240.94	42,330.00	122,570.94
2034	80,240.94	40,930.00	121,170.94
2035	80,240.94	39,530.00	119,770.94
2036	80,241.12	43,130.00	123,371.12
	<u>423,933.28</u>	<u>216,108.60</u>	<u>640,041.88</u>
	<u>\$ 2,833,560.03</u>	<u>\$ 2,400,445.95</u>	<u>\$ 5,234,005.98</u>
Principal	\$ 2,833,560.03	\$ 1,638,430.00	\$ 4,471,990.03
Interest	None	762,015.95	762,015.95
	<u>\$ 2,833,560.03</u>	<u>\$ 2,400,445.95</u>	<u>\$ 5,234,005.98</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for Bonded Loans Issued and Outstanding – Electric Utility Capital Fund New Jersey Environmental Infrastructure Trust (NJEIT)

Calendar Year	NJEIT Electric Utility Capital Fund		
	Federal	State	Total
2017	\$ 398,644.06	\$ 248,941.26	\$ 647,585.32
2018	398,644.06	247,941.26	646,585.32
2019	398,644.06	246,691.26	645,335.32
2020	398,644.06	245,191.26	643,835.32
2021	398,644.06	248,441.26	647,085.32
	<u>1,993,220.30</u>	<u>1,237,206.30</u>	<u>3,230,426.60</u>
2022	398,644.06	246,191.26	644,835.32
2023	398,644.06	248,691.26	647,335.32
2024	398,644.06	245,691.26	644,335.32
2025	398,644.06	244,091.26	642,735.32
2026	398,644.06	247,291.26	645,935.32
	<u>1,993,220.30</u>	<u>1,231,956.30</u>	<u>3,225,176.60</u>
2027	398,644.06	245,091.26	643,735.32
2028	398,644.06	247,691.26	646,335.32
2029	398,644.06	248,791.26	647,435.32
2030	398,644.06	244,791.26	643,435.32
2031	398,644.06	245,791.26	644,435.32
	<u>1,993,220.30</u>	<u>1,232,156.30</u>	<u>3,225,376.60</u>
2032	398,644.06	246,435.00	645,079.06
2033	398,644.06	245,135.00	643,779.06
2034	398,644.06	248,685.00	647,329.06
2035	398,644.21	246,935.00	645,579.21
	<u>1,594,576.39</u>	<u>987,190.00</u>	<u>2,581,766.39</u>
	<u>\$ 7,574,237.29</u>	<u>\$ 4,688,508.90</u>	<u>\$ 12,262,746.19</u>
Principal	\$ 7,574,237.29	\$ 3,345,000.00	\$ 10,919,237.29
Interest	None	1,343,508.90	1,343,508.90
	<u>\$ 7,574,237.29</u>	<u>\$ 4,688,508.90</u>	<u>\$ 12,262,746.19</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Schedule of Annual Debt Service for Principal and Interest for Bonded Loans Issued and Outstanding – Electric Utility Capital Fund New Jersey Environmental Infrastructure Trust (NJEIT) (CONTINUED)

Electric Utility Capital Fund:

\$3,345,000.00 New Jersey Wastewater Trust 2016 (Spring) -

State Portion

Annual maturities of \$120,000.00 to \$230,000.00 through August 1, 2035 at interest rates ranging from 2.0% to 5.0%.

\$ 3,345,000.00

\$7,840,000.00 New Jersey Wastewater Trust 2016 (Spring) -

Federal Portion

Semi-annual maturities in varying amounts with an annual maximum of approximately \$398,644.06 per year through August 1, 2035. There is no interest being charged on this loan.

7,574,237.29

\$ 10,919,237.29

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Summary of all long term debt is as follows: (Refer to Notes on Bonds and Loans)

Calendar Year	Summary of Long Term Debt			
	General Capital	Electric	Water-Sewer	Total
2017	\$ 532,276.16	\$ 829,225.32	\$ 597,576.51	\$ 1,959,077.99
2018	520,126.16	824,175.32	623,998.40	1,968,299.88
2019	512,976.16	818,875.32	612,239.14	1,944,090.62
2020	497,776.16	813,325.32	605,166.37	1,916,267.85
2021	487,676.16	812,525.32	589,384.47	1,889,585.95
	<u>2,550,830.80</u>	<u>4,098,126.60</u>	<u>3,028,364.89</u>	<u>9,677,322.29</u>
2022	472,576.16	811,225.32	586,730.47	1,870,531.95
2023	457,326.16	809,525.32	585,356.21	1,852,207.69
2024	440,476.16	802,325.32	584,860.75	1,827,662.23
2025	403,776.16	796,525.32	566,045.81	1,766,347.29
2026	202,607.40	795,350.32	375,360.12	1,373,317.84
	<u>1,976,762.04</u>	<u>4,014,951.60</u>	<u>2,698,353.36</u>	<u>8,690,067.00</u>
2027	151,919.90	787,600.32	364,645.00	1,304,165.22
2028	8,684.92	646,335.32	326,877.45	981,897.69
2029		647,435.32	226,439.83	873,875.15
2030		643,435.32	229,146.61	872,581.93
2031		644,435.32	226,666.96	871,102.28
	<u>160,604.82</u>	<u>3,369,241.60</u>	<u>1,373,775.85</u>	<u>4,903,622.27</u>
2032		645,079.06	153,157.94	798,237.00
2033		643,779.06	122,570.94	766,350.00
2034		647,329.06	121,170.94	768,500.00
2035		645,579.21	119,770.94	765,350.15
2036			123,371.12	123,371.12
		<u>2,581,766.39</u>	<u>640,041.88</u>	<u>3,221,808.27</u>
	<u>\$ 4,688,197.66</u>	<u>\$ 14,064,086.19</u>	<u>\$ 7,740,535.98</u>	<u>\$ 26,492,819.83</u>
Principal	\$ 4,062,657.37	\$ 12,433,237.29	\$ 6,669,990.03	\$ 23,165,884.69
Interest	625,539.89	1,630,848.90	1,070,545.95	3,326,934.74
	<u>\$ 4,688,197.26</u>	<u>\$ 14,064,086.19</u>	<u>\$ 7,740,535.98</u>	<u>\$ 26,492,819.43</u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Bond Anticipation Notes

At December 31, 2016, the Borough's outstanding Bond Anticipation Notes (BAN's) are as follows:

<u>Fund</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>Amount</u>	<u>Required</u>	
				<u>First</u>	<u>Final</u>
General Capital - BAN	2.25%	2015	\$ 1,310,000.00	2018	2026
	2.25%	2016	759,000.00	2019	2029
Electric Utility Capital	2.25%	2015	\$ 152,000.00	2018	2026
Water-Sewer Utility Capital	2.25%	2015	\$ <u>96,000.00</u>	2018	2026
			\$ <u><u>3,779,000.00</u></u>		

Summary of Municipal Debt

Reconciliation of Supplementary Schedules for Combined Balance Sheet:

Bonds	\$ 7,597,000.00
Loans	15,568,885.09
BAN's	<u>2,317,000.00</u>
Total	\$ <u><u>25,482,885.09</u></u>

Bonds and Notes Authorized But Not Issued

At December 31, 2016, the Borough had authorized but not issued bonds and notes as follows:

General Capital Fund	\$ 1,762,000.00
Electric Utility Capital Fund	740,000.00
Water-Sewer Utility Capital Fund	<u>1,685,028.00</u>
	\$ <u><u>4,187,028.00</u></u>

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Municipal Debt - Subsequent Event

Subsequent to December 31, 2016, the Governing Body adopted improvement on authorization totaling \$15,550,000.00 for the construction of a new public works complex and Firehouse. The funding consists of capital improvement fund of \$466,000.00, and bonds and notes authorized but not issued of \$15,034,000.00, This improvement authorization will be allocated against the General Capital, Electric Capital and Water Capital Funds.

Continuing Disclosure Requirement

As a result of the 2013 General Obligation Bond Sales, the Borough is required to comply with the Securities and Exchange Commission Rule 15c2-12, which is related to the Annual Continuing Disclosure Requirement. The Borough complied with the requirement in 2016.

Note 9. **DEFERRED LOCAL SCHOOL DISTRICT TAXES**

The Local School District Tax was raised on the school year basis and liability deferred by statute, resulting in school tax payable set forth in liabilities computed as follows:

	Local School District Taxes		Increase/ (Decrease)
	Balance, December 31		
	<u>2016</u>	<u>2015</u>	
Balance of Tax *	\$ 7,241,854.00	\$ 7,105,055.00	\$ 136,799.00
Deferred	<u>7,164,219.00</u>	<u>6,889,219.00</u>	<u>275,000.00</u>
Payable	<u>\$ 77,635.00</u>	<u>\$ 215,836.00</u>	<u>\$ (138,201.00)</u>

* Required for school operations for the six-month period following December 31st.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS

Description of Systems

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Pension Fund (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System and the Police and Firemen's Retirement System are considered cost sharing multiple-employer plans.

The PERS and PFRS issue a publicly available financial report that includes financial statements and required supplementary information and separate actuarial valuations. Those reports are available by visiting their website at www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2014.pdf.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees and all that qualify of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health care coverage. The following represents the membership tiers for PERS:

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

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Description of Systems (Continued)

Public Employees' Retirement System (Continued)

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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, 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.

Police and Firemen's Retirement System

The Police and Firemen's Retirement System (PFRS) was established July 1, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. 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.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Contributions Required to be Made

Employee contributions for 2016 were 7.06% through June 30, 2016 and 7.20% thereafter for PERS and 10% for PFRS of the employee's base wages. Employer's contributions are actuarially determined annually by the Division of Pensions. The Borough's contributions to the plan for the past three (3) years are as follows:

	<u>PERS</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Covered Payroll	\$ 2,232,443	\$ 2,225,106	\$ 2,390,590
Actuarial Contribution Requirements	297,887	279,940	246,356
Total Contributions Employer Share	297,887	279,940	246,356
Percent of Covered Payroll	13.34% %	12.60 %	10.30 %
Employee's Share	159,163	155,541	163,737
Percent of Covered Payroll	7.13 %	6.97 %	6.85 %

Pension Deferral – Chapter 19 P.L. 2009

In April of 2009 the Borough applied to the State of New Jersey Local Finance Board and received approval to defer a portion of its 2009 pension liability for PERS in the amount of \$87,610.00. The repayment would be made over a fifteen (15) year period with interest beginning 2013. The amount paid in 2016 was \$13,447.00 and the amount due on April 1, 2017 is \$13,595.00.

Pension (PERS) Accrual

The Borough is required to report on its financial statements on an "Other Comprehensive Basis of Accounting" (OCBOA) Regulatory Basis, which does not require an accrual for its obligations inclusive of pension. If the Borough were required to reflect the obligation under Generally Accepted Accounting Principles (GAAP) then an accrual for the PERS obligation due April 1, 2017 would be needed in the amount of \$270,904 since the obligation relates to the period December 31, 2016 and prior. The accrual (under GAAP) would affect the fund balance at yearend.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Contributions Required to be Made

	PFRS		
	2016	2015	2014
Covered Payroll	\$ 1,473,712	\$ 1,299,299	\$ 1,275,798
Actuarial Contribution Requirements	332,336	323,807	309,449
Total Contributions Employer Share	332,336	323,807	309,449
Percent of Covered Payroll	22.55% %	24.92% %	24.26% %
Employee's Share	147,371	129,992	127,579
Percent of Covered Payroll	10.00% %	10.00% %	10.00% %

All contributions were equal to the required contributions for each of the three (3) years, respectively.

Pension Deferral – Chapter 19 P.L. 2009

In April of 2009 the Borough applied to the State of New Jersey Local Finance Board and received approval to defer a portion of its 2009 pension liability for PFRS in the amount of \$145,865.00. The repayment would be made over a fifteen (15) year period with interest beginning 2013. The amount paid in 2016 was \$21,961.00 and the amount due on April 1, 2017 is \$21,961.00.

Pension (PFRS) Accrual

The Borough is required to report on its financial statements on an “Other Comprehensive Basis of Accounting” (OCBOA) Regulatory Basis, which does not require an accrual for its obligations inclusive of pension. If the Borough were required to reflect the obligation under Generally Accepted Accounting Principles (GAAP) then an accrual for the PFRS obligation due April 1, 2017 would be needed in the amount of \$316,074 since the obligation relates to the period December 31, 2016 and prior. The accrual (under GAAP) would affect the fund balance at yearend.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB#68

Public Employees Retirement System (PERS)

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2016 and June 30, 2015 Independent Auditor's Report dated April 6, 2017 and April 14, 2016, respectively.

The Borough's reported liability of \$9,482,169.00 and \$7,777,968.00 for its proportionate share of the net pension liability at December 31, 2016 (*measurement date of June 30, 2016*) and December 31, 2015 (*measurement date of June 30, 2015*), respectively. The net pension liability was measured as of June 30, 2016 and June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 entities, actuarially determined.

	June 30, (<i>Measurement Date</i>)	
	<u>2016</u>	<u>2015</u>
Local Group Share	\$ 29,617,131,759	\$ 22,447,996,119
Borough Proportionate Percentage	0.0320158231 %	0.0346488287 %
Difference - Decrease	(0.0026330056) %	

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB#68 (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2016, the Borough's recognizable (under GAAP) pension expense of \$911,931. At December 31, 2016, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,964,199	
Net difference between expected and actual experience	176,340	
Net difference between projected and actual investment earnings on pension plan investment	361,564	
Changes in proportion	352,378	429,092
Borough contribution made subsequent to yearend	<u>284,424</u>	
Total	<u>\$ 3,138,905</u>	<u>\$ 429,092</u>

The \$3,138,905.00 reported as deferred outflows of resources related to pensions resulting from entities contributions subsequent to the measurement date (i.e. for the Borough year ending December 31, 2016, the plan measurement date is June 30, 2016) would be recognized (under GAAP) as a reduction of the net pension liability in the Borough year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense based on local share is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2017	\$ 563,326
2018	563,326
2019	652,631
2020	548,306
2021	174,513

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB#68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Additional Information:

Collective (local employers) balances at June 30, 2016 and June 30, 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
Borough's proportion (of Local Group)	0.0320158231 %	0.0346488287 %

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. The total pension liability for the December 31, 2016 measurement date was determined by an actuarial valuation as of June 30, 2016. This actuarial valuation used the following assumptions:

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement 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 1 year for females).

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

Long-Term Rate of Return

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

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB#68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00 %	0.87 %
U.S. Treasuries	1.50	1.74
Investment Grade Credit	8.00	1.79
Mortgages	2.00	1.67
High Yield Bonds	2.00	4.56
Inflation-Indexed Bonds	1.50	3.44
Broad U.S. Equities	26.00	8.53
Developed Foreign Equities	13.25	6.83
Emerging Market Equities	6.50	9.95
Private Equity	9.00	12.40
Hedge Funds / Absolute Return	12.50	4.68
Real Estate (Property)	2.00	6.91
Commodities	0.50	5.45
Global Debt ex U.S.	5.00	-0.25
REIT	<u>5.25</u>	5.63
	<u>100.00 %</u>	

Discount Rate

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

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Public Employees Retirement System (PERS) (Continued)

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

The following presents the collective net pension liability of the participating employers as of (*measurement dates*) June 30, 2016 and June 30, 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

		December 31, 2016		
		[Measurement Date: June 30, 2016]		
		At Current		
		1% Decrease	Discount Rate	1% Increase
		<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Borough's proportionate share				
of the pension liability	\$	11,619,291	\$ 9,482,169	\$ 7,717,789

		December 31, 2015		
		[Measurement Date: June 30, 2015]		
		At Current		
		1% Decrease	Discount Rate	1% Increase
		<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
Borough's proportionate share				
of the pension liability	\$	9,667,062	\$ 7,777,968	\$ 6,194,164

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS) or by visiting their website at www.state.nj.us/treasury/pensions/pers1.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Police and Firemen's Retirement System (PFRS)

The information for PFRS was abstracted from State of New Jersey Police and Firemen Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2015 and June 30, 2014 Independent Auditor's Report dated April 6, 2017 and April 19, 2016, respectively.

The Borough's reported liability of \$7,741,832.00 and \$6,810,055.00 for its proportionate share of the net pension liability at December 31, 2016 (*measurement date of June 30, 2016*) and December 31, 2015 (*measurement date of June 30, 2015*), respectively. The net pension liability was measured as of June 30, 2016 and June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 entities, actuarially determined.

	June 30, (Measurement Date)	
	2016	2015
Local Group Share	\$ 20,706,696,056	\$ 16,656,514,197
Borough Proportionate Percentage	0.0405277258 %	0.0408852377 %
Difference - Decrease	0.0003575119	

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

For the year ended December 31, 2016, the Borough's recognizable (under GAAP) pension expense of \$816,640. At December 31, 2016, the Borough reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,072,307	
Net difference between expected and actual experience		\$ 50,749
Net difference between projected and actual investment earnings on pension plan investment	542,455	
Changes in proportion	11,957	64,085
Borough contributions made subsequent to yearend	<u>330,439</u>	
Total	<u>\$ 1,957,158.00</u>	<u>\$ 114,834</u>

The \$1,957,158.00 reported as deferred outflows of resources related to pensions resulting from entities contributions subsequent to the measurement date (i.e. for the Borough year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the Borough year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense based on local share is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2017	\$ 374,387
2018	374,387
2019	504,446
2020	298,296
2021	12,497

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Additional Information:

Collective (local employers) balances at June 30, 2016 and June 30, 2015 are as follows:

	June 30, 2016	June 30, 2015
Collective deferred outflows of resources	\$ 4,547,316,543	\$ 3,512,729,953
Collective deferred inflows of resources	\$ 2,043,911,998	\$ 871,083,367
Collective net pension liability		
Local Group	\$ 20,706,699,056	\$ 16,656,514,197
Less: Special Funding Situation (1)	1,604,141,087	None
	\$ 19,102,557,969	\$ 16,656,514,197
Borough's proportion (of Local Group)	0.0572856306 %	0.0552133277 %

(1) 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 that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed 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.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. The total pension liability for the December 31, 2016 measurement date was determined by an actuarial valuation as of June 30, 2016. This actuarial valuation used the following assumptions:

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

Mortality Rates

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

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

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00 %	0.87 %
U.S. Treasuries	1.50	1.74
Investment Grade Credit	8.00	1.79
Mortgages	2.00	1.67
High Yield Bonds	2.00	4.56
Inflation-Indexed Bonds	1.50	3.44
Broad U.S. Equities	26.00	8.53
Developed Foreign Equities	13.25	6.83
Emerging Market Equities	6.50	9.95
Private Equity	9.00	12.40
Hedge Funds / Absolute Return	12.50	4.68
Real Estate (Property)	2.00	6.91
Commodities	0.50	5.45
Global Debt ex U.S.	5.00	-0.25
REIT	5.25	5.63
	<u>100.00 %</u>	

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate

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

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

The following presents the collective net pension liability of the participating employers as of (*measurement dates*) June 30, 2016 and June 30, 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	December 31, 2016 [Measurement Date: June 30, 2016]		
	At Current		
	1% Decrease <u>4.55%</u>	Discount Rate <u>5.55%</u>	1% Increase <u>6.55%</u>
Borough's proportionate share of the pension liability	\$ 9,982,318	\$ 7,741,832	\$ 5,913,986

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 10. PENSION PLANS (CONTINUED)

Government-Wide Financial Statements GASB #68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Sensitivity of The Collective Net Pension Liability to Changes in the Discount Rate (Continued)

	December 31, 2015 [Measurement Date: June 30, 2015]		
	1% Decrease	At Current	1% Increase
	<u>4.79%</u>	<u>5.79%</u>	<u>6.79%</u>
Borough's proportionate share of the pension liability	\$ 8,977,696	\$ 6,810,055	\$ 5,406,693

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS) or by visiting their website at www.state.nj.us/treasury/pensions/pfrs1.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 11. POST EMPLOYMENT RETIREMENT BENEFITS

In addition to the pension benefits described in Note 7, the Borough provides post retirement healthcare benefits for employees who retire with 25 years or more of service and their dependents. Any school traffic guard hired prior to January 1, 1996 is entitled to the same benefits listed above for full time employees except that the Borough shall be obligated to pay only fifty percent of the premium cost for said health insurance. Benefits consist of full medical coverage as if the individuals were still employed, until they become eligible for Medicare, at which time Medicare becomes the primary insurer and the Borough plan becomes the secondary insurer.

Plan Description – New Jersey State Health Benefits Program (“NJSHBP”)

The NJSHBP as of July 1, 2016 had “local employees” statewide of 358,297 active and 244,306 retired for a total of 602,603 members. The Borough at December 31, 2016 had 42 active and 14 retired employees for a total participation of 56.

The Borough contributes to the NJSHBP, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. NJSHBP 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. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. NJSHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. In accordance with GASB’s 43 and 45, the NJSHBP has been determined to be a cost-sharing multiple-employer plan. Under GASB 45, the Borough is not required nor allowed to accrue reserves to fund the ultimate payment of the retirees health benefit obligation that is being earned.

The NJSHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the NJSHBP. The Borough authorized participation in the NJSHBP’s post-retirement benefit program through resolution.

The New Jersey State Health Benefits (“NJSHB”) Commission is the executive body established by statute to be responsible for the operation of the NJSHBP. 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 NJSHBP and an annual actuarial valuation report. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 11. POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The NJSHB Commission sets the employer contribution rate based on the annual required contribution (ARC) of the employers as established in an annual rate recommendation report.

Contributions to pay for the health premiums of participating retirees in the NJSHBP are billed to the Borough on a monthly basis. The number of employees covered and approximate cost for the past three years were as follows:

<u>Fiscal Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2016	5	\$ 90,687.00
2015	13	53,430.00
2014	10	42,104.00

Note 12. INTERFUNDS RECEIVABLE AND PAYABLE

Interfund receivable and payable balances at December 31, 2016 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Fund:		
Current		\$ 361.11
Grant		50,000.00
Payroll Fund	\$ 361.11	
General Capital	50,000.00	
	<u>\$ 50,361.11</u>	<u>\$ 50,361.11</u>

These interfunds will be liquidated in the next succeeding fiscal year.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 13. RISK MANAGEMENT

Property and Liability Insurance

The Borough, together with other governmental units, are members of the Middlesex County Municipal Joint Insurance Fund (the "Fund"). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. In addition, the Fund has obtained cost effective reinsurance and excess liability coverages for participant local units.

For the year ended December 31, 2016, the Fund provided coverage for Property, Boiler and Machinery, Automobile Liability, General Liability, Workmen's Compensation, Public Employee Blanket Bond and public officials surety bond coverage. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees.

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the current and prior two years:

<u>Year Ended</u> <u>December 31,</u>	<u>Employer</u> <u>Contributions</u>	<u>Interest</u> <u>Earned</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2016	\$ 20,000.00	\$ None	\$ 24,822.62	\$ 47,290.23
2015	38,311.72	None	22,414.42	52,112.85
2014	None	None	25,631.36	36,215.55

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 14. **DEFERRED COMPENSATION PLAN**

The Borough of Milltown offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The Plan, available to all municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37. The "Small Business Job Protective Act of 1996" modified several provisions of Section 457 of the Internal Revenue Code. The most significant change in the law related to the ownership of the fund.

The Borough of Milltown authorized such modifications to their plan by resolution of the Borough Council adopted September 10, 1997. The Deferred Compensation Plan is administered by the Nationwide Retirement Solutions.

Note 15. **LENGTH OF SERVICE AWARDS PROGRAM**

On November 2, 1999, the voters of the Borough approved a referendum authorizing the establishment of a Length of Service Awards Program (LOSAP). On November 2, 1999 the voters of the Borough approved the annual appropriation subject to a per member minimum of \$1,150.00 plus annual cost of living increase and a maximum of \$85,000.00. The LOSAP will provide tax-deferred income benefits to the active volunteer fire fighters and first aid members who are eligible to participate.

The LOSAP funds are administered independently and distinct from the Borough and are subjected to a review in accordance with the American Institute of Certified Public Accounts Standards for Accounting and Review Services. A separate report as of December 31, 2016 revealed net assets available for benefits of \$912,846.19. The Borough's contribution for December 31, 2016 is \$76,524.85 chargeable to the 2016 budget ranging from \$1,164.95 to \$1,305.83.

		Total	Per Member		
			From		To
2016	\$	58,836.17	\$ 1,168.40	-	\$ 1,290.13
2015		55,422.07	1,168.40	-	1,269.81
2014		63,271.91	1,152.88	-	1,269.81

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 16. COMMITMENTS AND CONTINGENT LIABILITIES

A. Accrued Sick and Vacation Benefits

The Borough of Milltown has contractual agreements with two unions, which allow employees, upon retirement, to be compensated for unused sick time. The contract with the P.B.A. states that employees hired after January 1, 1990 will not carryover or accumulate sick leave from year to year for retirement purposes. Employees who retire will receive a lump sum payment for unused sick time at the rate of one-half day for every full day earned and unused in an amount not to exceed \$15,000.00, credited on their employment records and certified by the Borough on the effective date of their retirement, at the prevailing rate of pay at the time of retirement.

Other union employees, upon retirement, will be compensated at the rate of one-half day for every full day earned and unused, at the current rate of pay at the time of retirement, but not to exceed \$12,000.00. A similar policy exists for non-union employees.

All vacation time earned by employees can be carried over and is to be paid to the employee, upon termination with the Borough, at the current rate of pay. The Borough's estimated total liability for unused sick \$366,945.90 and unused vacation time \$178,505.62 at December 31, 2016 totaling \$545,451.52. Management believes this amount approximates the calculation as required by GASB #16; however, the actual potential liability could ultimately be lower than the reported amount.

The Borough has earmarked funds over the past several years for the ultimate payout of compensated absences upon retirement. The balances at December 31, 2016 for \$184,532.56 are included in Trust Other Fund reserve for accumulated absences.

B. Grants

The Borough of Milltown participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

BOROUGH OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

Note 16. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

C. Interlocal Agreement

The Borough has an agreement with a neighboring municipality to provide sewer flow-through services to the county sewerage authority for treatment. In years 2006 through 2010 the provider did not properly bill the Borough. In 2011, the Borough entered into a memorandum of understanding with regards to payment of the backcharges which were the result of an inquiry by both parties. The understanding is that \$462,107.38 in total will be paid; however, in ten (10) equal annual installments, commencing in 2012 with final payment due in 2021. There are various remedies in the event of tardiness or default.

D. Litigation

The Borough is a party to various legal proceedings. These legal proceedings are not likely to have an adverse financial impact on the Borough, based on inquiry of management and the various attorneys.

E. Tax Abatement

In accordance with GASB #77 *Tax Abatement Disclosures*, the Borough is required to disclose significant tax abatement agreements. In January 1998 the Borough entered into an agreement with the developer of a commercial property for a thirty (30) year real estate tax abatement on improvements to the property. The agreement calls for a “*basic annual payment*” in lieu of taxes (PILOT) on improvements less an adjustment for the required municipal tax on the land or a “*percentage*” of the actual municipal tax, whichever is greater. The remaining phases of the agreement call for minimum payment as follows:

<u>Phase</u>	<u>Year of Agreement</u>	<u>Basic Annual Payment</u>	<u>Percentage of Municipal Real Estate Taxes</u>
III	17-20	\$ 260,200.00	40%
III	21-22	340,720.00	40%
IV	23-28	340,720.00	60%
IV	29-30	446,992.00	80%

The amount received in 2016, year 16 of agreement for the PILOT was \$157,525.84 compared to the potential municipal tax amount per the agreement of \$163,350.00. There was no provision for payment of county or school taxes.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 30, 2017

[UNAUDITED]

**BOROUGH OF MILLTOWN
COUNTY OF MIDDLESEX, NEW JERSEY**

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**Governmental Entity Compilation Report –
Substantially All Disclosures Omitted**

The Honorable Mayor and Members
of the Borough Council
Borough of Milltown
County of Middlesex
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

Report on the Financial Statements

Management is responsible for the financial statements – regulatory basis of the various funds of the Borough of Milltown, County of Middlesex, State of New Jersey as of December 31, 2017, and the related statement of operations and change in fund balance – regulatory basis for the year then ended, the related statement of revenues – regulatory basis, statement of expenditures – regulatory basis, and the related notes to the financial statements for the year then ended. We have performed a compilation engagement in accordance with Statements on standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit capital (fixed) asset accounting, compensated absence accounting, and substantially all the disclosures required by accounting principles generally accepted in the United States of America. If such omitted items and disclosures were included in the financial statements, they might influence the user's conclusions about the Borough's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
March 29, 2018

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BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>ASSETS</u>	<u>2017</u>
Cash and Investments - Treasurer	\$ 2,790,393.27
Cash - Change Fund	350.00
Due from State of NJ per Ch. 20, P.L. 1976	<u>16,692.03</u>
	<u>2,807,435.30</u>
Receivables with Offsetting Reserves:	
Delinquent Taxes	179,396.27
Tax Title Liens	1,827,563.75
Property Acquired for Taxes (at Assessed Valuation)	3,400.00
Revenue Accounts Receivable	14,666.60
Due from Township of East Brunswick	<u>8,450.00</u>
	<u>2,033,476.62</u>
Deferred Charges	<u>125,000.00</u>
Total Regular Fund	<u>4,965,911.92</u>
Grant Fund:	
Cash	38,438.49
Grants Receivable	<u>203,557.75</u>
Total Grant Fund	<u>241,996.24</u>
	<u>\$ 5,207,908.16</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>
Liabilities:	
Appropriation Reserves	\$ 377,677.17
Reserve for Encumbrances	227,597.14
Prepaid Taxes	1,033,988.38
Various Reserves	25,933.96
Commitments Payable	124,173.92
Tax Overpayments	8,304.33
Local School Tax Payable	<u>100,467.98</u>
	<u>1,898,142.88</u>
Reserve for Receivables	2,033,476.62
Fund Balance	<u>1,034,292.42</u>
Total Regular Fund	<u>4,965,911.92</u>
Grant Fund:	
Reserve for Grants:	
Appropriated	187,109.94
Reserve for Encumbrances	4,886.30
Due to General Capital Fund	<u>50,000.00</u>
Total Grant Fund	<u>241,996.24</u>
	<u>\$ 5,207,908.16</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>December 31,</u> <u>2017</u>
Fund Balance Utilized	\$ 861,500.00
Miscellaneous Revenues Anticipated	3,431,874.13
Receipts from Delinquent Taxes	89,527.40
Receipts from Current Taxes	24,192,810.20
Nonbudget Revenue	114,788.52
Other Credits to Income:	
Unexpended Balances of Appropriation Reserves	354,829.93
Cancellation of Current Appropriations	<u>2,443.67</u>
	<u>29,047,773.85</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>	
Budget Appropriations:	
Operating:	
Salaries and Wages	3,831,069.00
Other Expenses	3,551,838.08
Deferred Charges and Statutory Expenditures	824,928.45
Municipal Debt Service	725,170.00
Capital Improvements	472,000.00
County Tax	3,508,292.46
County Share of Added and Omitted Taxes	1,841.89
Local District School Taxes	15,277,110.00
Refund of Prior Year Revenue	<u>2,439.00</u>
Total Expenditures	<u>28,194,688.88</u>
Excess in Revenue	<u>853,084.97</u>
Add: Expenditures Included Above Which are by Statute	
Deferred Charges to Budgets of Succeeding Years	<u>125,000.00</u>
Statutory Excess to Fund Balance	<u>978,084.97</u>
Balance - January 1	<u>917,707.45</u>
	1,895,792.42
Decreased by:	
Utilization as Anticipated Revenue	<u>861,500.00</u>
Balance - December 31	<u>\$ 1,034,292.42</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
CURRENT FUND
(UNAUDITED)

	Anticipated 2017	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 861,500.00	\$ 861,500.00	
Miscellaneous Revenue Anticipated:			
Local Revenues:			
Licenses:			
Alcoholic Beverages	\$ 4,725.00	\$ 4,725.00	
Fees and Permits	32,900.00	48,573.54	15,673.54
Fines and Costs:			
Municipal Court	188,300.00	195,675.40	7,375.40
Interest and Costs on Taxes	21,000.00	34,494.94	13,494.94
Interest on Investments and Deposits	11,500.00	12,298.32	798.32
Anticipated Utility Operating Surplus - Electric	1,614,341.00	1,614,341.00	
Swimming Pool Fees	127,500.00	126,547.50	(952.50)
Cable Television Franchise Fees	31,798.00	31,798.00	
Recreation Fees	91,500.00	99,388.00	7,888.00
	<u>2,123,564.00</u>	<u>2,167,841.70</u>	<u>44,277.70</u>
State Aid with Offsetting Appropriations:			
Consolidated Municipal Property Tax Relief Aid	55,617.00	55,617.00	
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	331,552.00	331,552.00	
	<u>387,169.00</u>	<u>387,169.00</u>	
Dedicated Uniform Construction Code Fees Offset with Appropriations (NJS 40A:4-36 & NJAC 5:23-417):			
Uniform Construction Code Fees	86,100.00	113,206.00	27,106.00
Special Items - Additional Revenues:			
School Age Child Care	400,000.00	441,703.03	41,703.03
Donation - Milltown Revitalization Committee	1,813.00	1,463.00	(350.00)
	<u>401,813.00</u>	<u>443,166.03</u>	<u>41,353.03</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Anticipated 2017	Realized	Excess or (Deficit)
Public and Private Revenues:			
Municipal Alliance on Alcoholism and Drug Abuse	\$ 16,276.00	\$ 16,276.00	
Middlesex County Office on Aging Grant	8,000.00	8,000.00	
Middlesex County HUD Block Grant	35,140.00	35,140.00	
Body Armor Replacement Program Fund	1,785.52	1,785.52	
Clean Communities Program	<u>14,025.37</u>	<u>14,025.37</u>	
	75,226.89	75,226.89	
Other Special Items:			
Payment in lieu of Taxes - Arisa Redevelopment	157,525.84	157,525.84	
General Capital Fund Balance	22,114.58	22,114.58	
Cell Tower Lease	<u>64,700.00</u>	<u>65,624.09</u>	\$ 924.09
	244,340.42	245,264.51	924.09
Total Miscellaneous Revenue	<u>3,318,213.31</u>	<u>3,431,874.13</u>	113,660.82
Receipts from Delinquent Taxes	90,019.00	89,527.40	(491.60)
Subtotal General Revenues	<u>4,269,732.31</u>	<u>4,382,901.53</u>	113,169.22
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes including Reserve for Uncollected Taxes	\$ 5,250,228.43	\$ 5,395,573.38	\$ 145,344.95
Municipal Library Levy	<u>293,517.19</u>	<u>293,517.19</u>	
	5,543,745.62	5,689,090.57	145,344.95
Budget Totals	\$ 9,813,477.93	\$ 10,071,992.10	\$ 258,514.17
Nonbudget Revenues		114,788.52	114,788.52
	<u>\$ 9,813,477.93</u>	<u>\$ 10,186,780.62</u>	<u>\$ 373,302.69</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Budget	Budget After Modification	Paid or Charged	- Expended -		
				Encumbered	Reserved	Cancelled
GENERAL GOVERNMENT FUNCTIONS						
General Administration:						
Salaries and Wages	\$ 8,200.00	\$ 8,200.00	\$ 8,037.62		\$ 162.38	
Other Expenses	770.00	770.00	220.00	69.23	480.77	
Mayor and Council:						
Salaries and Wages	8,900.00	8,900.00	8,692.78		207.22	
Other Expenses	3,550.00	3,550.00	1,887.36	154.66	1,507.98	
Payroll Processing Fees	6,650.00	6,650.00	4,746.83		1,903.17	
Municipal Clerk:						
Salaries and Wages	85,500.00	85,500.00	80,608.99		4,891.01	
Other Expenses	36,177.00	36,177.00	21,917.76	3,074.78	11,184.46	
Financial Administration:						
Salaries and Wages	85,200.00	85,200.00	82,620.71		2,579.29	
Other Expenses	23,700.00	23,700.00	20,884.58	713.91	2,101.51	
Audit Services:						
Other Expenses	23,200.00	19,400.00	19,400.00			
Collection of Taxes:						
Salaries and Wages	71,500.00	71,500.00	69,907.13		1,592.87	
Other Expenses	8,400.00	8,400.00	6,869.52	437.05	1,093.43	
Assessment of Taxes:						
Salaries and Wages	25,500.00	25,500.00	25,411.06		88.94	
Other Expenses	6,600.00	6,600.00	2,918.69	239.23	3,442.08	
Update of Tax maps (Special Emergency)	125,000.00	125,000.00	72,485.50	52,514.50		
Legal Services:						
Other Expenses	157,000.00	320,000.00	293,143.46	3,311.13	23,545.41	
Engineering Services and Costs:						
Ground Water Monitoring	100.00	100.00			100.00	
Misc. Other Expenses	16,500.00	16,500.00	13,278.28		3,221.72	
LAND USE ADMINISTRATION						
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.):						
Planning Board:						
Other Expenses	9,350.00	9,350.00	7,322.92		2,027.08	
Board of Adjustment:						
Other Expenses	4,250.00	4,250.00	3,078.84		1,171.16	
Zoning Board:						
Salaries and Wages	63,300.00	63,300.00	60,163.36		3,136.64	
Other Expenses	3,150.00	3,150.00	2,439.72	69.23	641.05	

The Notes to Financial Statements have been omitted.

**BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
				- Expended -		
INSURANCE						
Liability Insurance	\$ 110,200.00	\$ 110,200.00	\$ 110,024.43		\$ 175.57	
Workers' Compensation	121,000.00	121,000.00	120,720.00		280.00	
Employee Group Health Insurance	659,200.00	614,200.00	596,650.72	\$ 45.00	17,504.28	
Unemployment Insurance	10,000.00	2,000.00			2,000.00	
Health Benefits Waiver	38,800.00	38,800.00	37,634.22		1,165.78	
PUBLIC SAFETY FUNCTIONS						
Police:						
Salaries and Wages	1,783,000.00	1,849,000.00	1,794,967.65		54,032.35	
Other Expenses	125,200.00	125,200.00	100,846.15	12,977.13	11,376.72	
Telephone	20,000.00	20,000.00	17,168.28	967.95	1,863.77	
Crossing Guards:						
Salaries and Wages	138,000.00	121,000.00	117,512.96		3,487.04	
Other Expenses	4,500.00	3,500.00	787.48		2,712.52	
Police Dispatch/911:						
Salaries and Wages	119,500.00	101,500.00	98,695.16		2,804.84	
Other Expenses	8,334.00	8,334.00	8,334.00			
Emergency Management Services:						
Salaries and Wages	2,100.00	2,100.00	2,001.65		98.35	
Other Expenses	50,000.00	50,000.00	7,836.19	30,523.00	11,640.81	
First Aid Organization:						
Contribution	35,000.00	35,000.00	35,000.00			
Fire Protection Bureau (Uniform Fire Code P.L. 1983, C. 383):						
Salaries and Wages	15,100.00	13,619.00	13,619.00			
Other Expenses	81,010.00	82,491.00	58,057.15	22,384.29	2,049.56	
Municipal Prosecutor:						
Salaries and Wages	13,200.00	13,200.00	12,005.00		1,195.00	
Municipal Court:						
Salaries and Wages	116,500.00	109,500.00	100,137.81		9,362.19	
Other Expenses	12,310.00	14,310.00	10,673.17	1,990.17	1,646.66	
Public Defender (P.L. 1997, C.256):						
Other Expenses	6,500.00	2,500.00			2,500.00	

The Notes to Financial Statements have been omitted.

**BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Budget	Budget After Modification	Paid or Charged	- Expended - Encumbered	Reserved	Cancelled
<u>PUBLIC WORKS FUNCTIONS</u>						
Road Repairs and Maintenance:						
Salaries and Wages	\$ 177,700.00	\$ 177,700.00	\$ 174,607.86		\$ 3,092.14	
Other Expenses	59,050.00	39,050.00	22,173.60	\$ 13,406.12	3,470.28	
Street Cleaning:						
Salaries and Wages	117,500.00	117,500.00	115,583.28		1,916.72	
Other Expenses	7,750.00	7,750.00	3,685.99	202.43	3,861.58	
Garbage and Trash Removal:						
Salaries and Wages	307,200.00	307,200.00	302,536.56		4,663.44	
Other Expenses	233,500.00	218,500.00	183,015.08	9,410.25	26,074.67	
O.S.H.A Requirement:						
Other Expenses	6,200.00	6,200.00	195.00	891.00	5,114.00	
Recycling:						
Salaries and Wages	61,300.00	61,300.00	59,973.13		1,326.87	
Other Expenses	25,200.00	25,200.00	5,600.78	11,094.10	8,505.12	
Public Buildings and Grounds:						
Salaries and Wages	3,000.00	3,000.00	2,479.42		520.58	
Other Expenses	50,850.00	50,850.00	37,776.59	12,144.56	928.85	
Vehicle Maintenance:						
Salaries and Wages	49,500.00	49,500.00	47,248.34		2,251.66	
Other Expenses (Emergency \$4,000.00)	162,925.00	127,925.00	98,089.84	17,663.55	12,171.61	
Snow Removal:						
Salaries and Wages	5,000.00	5,000.00	5,000.00			
Other Expenses	5,000.00	5,000.00	5,000.00			
Environmental Commission:						
Other Expenses	900.00	900.00	880.38		19.62	
Shade Tree Commission:						
Other Expenses	14,000.00	14,000.00		14,000.00		
<u>HEALTH AND HUMAN SERVICES FUNCTIONS</u>						
Board of Health:						
Salaries and Wages	7,550.00	7,550.00	6,612.00		938.00	
Other Expenses	945.00	945.00	680.00	147.00	118.00	
Dog Regulations:						
Other Expenses	100.00	100.00			100.00	
Property Clean-Ups:						
Other Expenses	10,000.00	10,000.00	7,900.00		2,100.00	

The Notes to Financial Statements have been omitted.

**BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Budget	Budget After Modification	Paid or Charged	- Expended - Encumbered	Reserved	Cancelled
<u>PARK AND RECREATION FUNCTIONS</u>						
Department of Recreation :						
Salaries and Wages	\$ 100,000.00	\$ 90,000.00	\$ 85,692.60		4,307.40	
Other Expenses	52,000.00	52,000.00	47,220.78	\$ 2,739.66	\$ 2,039.56	
Celebration of Public Events:						
Other Expenses	6,200.00	6,200.00	5,409.99		790.01	
Office on Aging (Social Services)						
Salaries and Wages	72,700.00	72,700.00	70,478.40		2,221.60	
Other Expenses	32,150.00	24,150.00	14,435.65	2,509.73	7,204.62	
Pool Expenses						
Salaries and Wages	123,000.00	109,800.00	109,263.04		536.96	
Other Expenses	63,700.00	51,700.00	51,345.96	351.57	2.47	
Parks and Playgrounds:						
Salaries and Wages	155,600.00	155,600.00	152,966.61		2,633.39	
Other Expenses	29,200.00	29,200.00	27,373.94	1,150.16	675.90	
<u>UTILITY EXPENSES AND BULK PURCHASES</u>						
Telephone:						
Salaries and Wages	50,000.00	48,000.00	45,833.55		2,166.45	
Other Expenses	8,100.00	9,100.00	7,737.63	322.65	1,039.72	
Gasoline	28,000.00	22,000.00	16,853.47	1,762.35	3,384.18	
Natural Gas Heating	11,500.00	10,000.00	6,521.03		3,478.97	
<u>UNCLASSIFIED</u>						
Terminal Leave:						
Salaries and Wages	10,000.00	10,000.00	10,000.00			
<u>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)</u>						
Construction Official (Chief Admin. Of Enforcement Agency)						
Salaries and Wages	58,200.00	58,200.00	55,867.39		2,332.61	
Other Expenses	2,850.00	2,850.00	150.80	69.23	2,629.97	
Total Operations within "CAPS"	6,350,321.00	6,355,821.00	5,834,894.82	217,335.62	303,590.56	

The Notes to Financial Statements have been omitted.

**BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Budget	Budget After Modification	Paid or Charged	- Expended - Encumbered	Reserved	Cancelled
CONTINGENT						
Total Operations Including Contingent - within "CAPS"	\$ 1,000.00	\$ 1,000.00		\$ 1,000.00		
	\$ 6,351,321.00	\$ 6,356,821.00	\$ 5,834,894.82	\$ 217,335.62	\$ 304,590.56	
Detail:						
Salaries and Wages	\$ 3,833,750.00	\$ 3,831,069.00	\$ 3,662,689.51		\$ 112,545.94	
Other Expenses (Including Contingent)	2,517,571.00	2,525,752.00	2,172,205.31	\$ 217,335.62	192,044.62	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	\$ 158,299.87	\$ 158,299.87	\$ 158,299.87			
Social Security System (O.A.S.I.)	295,400.00	289,900.00	273,760.74		\$ 16,139.26	
Police and Firemen's Pension Fund	352,614.00	352,614.00	352,614.00			
Defined Contribution Retirement Plan	2,000.00	2,000.00			\$ 2,000.00	
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	808,313.87	802,813.87	784,674.61		16,139.26	2,000.00
Total General Appropriations for Municipal Purposes within "CAPS"	7,159,634.87	7,159,634.87	6,619,569.43	217,335.62	320,729.82	2,000.00
OPERATIONS - EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library (P.L. 1985, C. 82 & 541)	293,517.19	293,517.19	283,992.49	2,668.87	6,855.83	
Length of Service Award Program (LOSAP)	60,000.00	60,000.00	60,000.00			
NJPOEPS/Stormwater Permit (NJSA 40A:4-45.3(cc))	7,700.00	7,700.00	1,421.88	209.63	6,068.49	
Engineering - Other Expenses						
Total Other Operations - Excluded from "CAPS"	361,217.19	361,217.19	345,414.37	2,878.50	12,924.32	

The Notes to Financial Statements have been omitted.

**BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Budget	Budget After Modification	Paid or Charged	- Expended - Encumbered	Reserved	Cancelled
OPERATIONS - EXCLUDED FROM "CAPS" (CONTINUED)						
Interlocal Municipal Service Agreements:						
Middlesex County Improvement Authority:						
Public Health Service Contract:						
Other Expenses	\$ 37,500.00	\$ 37,500.00	\$ 37,466.98	\$	\$ 33.02	
MCIA:						
Recycling Program - Other Expenses						
Township of Woodbridge - Animal Control	119,000.00	119,000.00	88,347.10		30,652.90	
Other Expenses	10,760.00	10,760.00	7,953.00		2,807.00	
Mobile Data Terminal System - South Brunswick						
Other Expenses	13,500.00	13,500.00	13,450.00		50.00	
School Age Child Care Program						
Salary and Wages	290,500.00	290,500.00	284,022.01		6,477.99	
Other Expenses	109,500.00	109,500.00	101,344.02	\$ 7,383.02	772.96	
Donations - Milltown Revitalization Committee	1,813.00	1,813.00	1,583.84		229.16	
Total Interlocal Municipal Service Agreements	<u>582,573.00</u>	<u>582,573.00</u>	<u>534,166.95</u>	<u>7,383.02</u>	<u>41,023.03</u>	
Public and Private Programs Offset by Revenues:						
Municipal Alliance on Alcohol and Drug Program:						
Matching Portion	4,069.00	4,069.00	4,069.00			
Grant Portion	16,276.00	16,276.00	16,276.00			
Middlesex County Office on Aging - Grant Portion	6,000.00	8,000.00	8,000.00			
Clean Communities Program						
Open Space, Recreation, Farmland Grant	35,140.00	14,025.37	14,025.37			
Matching Funds for Grant	3,000.00	35,140.00	35,140.00		3,000.00	
Body Armor Replacement Program						
		<u>1,785.52</u>	<u>1,785.52</u>			
Total Public and Private Programs Offset by Revenues	<u>64,485.00</u>	<u>82,295.89</u>	<u>79,295.89</u>		<u>3,000.00</u>	
Total Operations - Excluded from "CAPS"	<u>\$ 1,008,275.19</u>	<u>\$ 1,026,086.08</u>	<u>\$ 958,877.21</u>	<u>\$ 10,261.52</u>	<u>\$ 56,947.35</u>	
Detail:						
Salaries and Wages		\$ 14,025.37	\$ 14,025.37			
Other Expenses	\$ 1,008,275.19	\$ 1,012,060.71	\$ 944,851.84	\$ 10,261.52	\$ 56,947.35	

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Budget	Budget After Modification	Paid or Charged	- Expended -		
				Encumbered	Reserved	Cancelled
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00			
Down payments on Improvements	<u>442,000.00</u>	<u>442,000.00</u>	<u>442,000.00</u>			
Total Capital Improvements Excluded from "CAPS"	<u>472,000.00</u>	<u>472,000.00</u>	<u>472,000.00</u>			
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	405,000.00	405,000.00	405,000.00			
Note Principal	146,000.00	146,000.00	146,000.00			
Interest on Bonds	110,000.00	110,000.00	109,906.26			93.74
Interest on Notes	46,800.00	46,800.00	46,450.17			349.83
Green Trust Loan Program: Loan Repayments for Principal and Interest	<u>17,370.00</u>	<u>17,370.00</u>	<u>17,369.90</u>			<u>0.10</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>725,170.00</u>	<u>725,170.00</u>	<u>724,726.33</u>			<u>443.67</u>
DEFERRED CHARGES:						
Improvement Authorizations - Unfunded	<u>22,114.58</u>	<u>22,114.58</u>	<u>22,114.58</u>			
Total Deferred Charges - Excluded from "CAPS"	<u>22,114.58</u>	<u>22,114.58</u>	<u>22,114.58</u>			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,227,559.77</u>	<u>2,245,370.66</u>	<u>2,177,718.12</u>	<u>10,261.52</u>	<u>56,947.35</u>	<u>443.67</u>
Total General Appropriations - Excluded from "CAPS"	<u>2,227,559.77</u>	<u>2,245,370.66</u>	<u>2,177,718.12</u>	<u>10,261.52</u>	<u>56,947.35</u>	<u>443.67</u>
Subtotal General Appropriations	\$ 9,387,194.64	\$ 9,405,005.53	\$ 8,797,287.55	\$ 227,597.14	\$ 377,677.17	\$ 2,443.67
RESERVE FOR UNCOLLECTED TAXES	<u>533,472.40</u>	<u>533,472.40</u>	<u>533,472.40</u>			
Total General Appropriations	<u>\$ 9,920,667.04</u>	<u>\$ 9,938,477.93</u>	<u>\$ 9,330,759.95</u>	<u>\$ 227,597.14</u>	<u>\$ 377,677.17</u>	<u>\$ 2,443.67</u>

BOROUGH OF MILLTOWN
BALANCE SHEET - REGULATORY BASIS
TRUST FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>ASSETS</u>	<u>December 31,</u> <u>2017</u>
Animal Control Fund:	
Cash, Treasurer	\$ 3,637.24
Due from Borough Clerk	<u>52.20</u>
Total Animal Control Fund	<u>3,689.44</u>
Trust-Other Fund:	
Cash, Treasurer	<u>850,013.50</u>
Total Trust-Other Fund	<u>850,013.50</u>
Payroll Trust Fund:	
Cash, Treasurer	<u>41,668.20</u>
Total Payroll Trust Fund	<u>41,668.20</u>
Public Assistance Trust Fund:	
Cash, Treasurer	<u>8,973.76</u>
Total Public Assistance Trust Fund	<u>8,973.76</u>
LOSAP Fund:	
Cash, Trustee	<u>1,078,002.86</u>
Total LOSAP Fund	<u>1,078,002.86</u>
	<u>\$ 1,982,347.76</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
BALANCE SHEET - REGULATORY BASIS
TRUST FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>December 31,</u> <u>2017</u>
Animal Control Fund:	
Reserve for Animal Control	\$ 3,682.24
Due to State of New Jersey	<u>7.20</u>
Total Animal Control Fund	<u>3,689.44</u>
Trust-Other Fund:	
Reserve for Various Deposits	773,653.77
Reserve for Encumbrances	6,980.50
Reserve for Unemployment Compensation	<u>69,379.23</u>
Total Trust-Other Fund	<u>850,013.50</u>
Payroll Trust Fund:	
Payroll Deductions Payable	<u>41,668.20</u>
Total Payroll Trust Fund	<u>41,668.20</u>
Public Assistance Trust Fund:	
Reserve for Public Assistance	<u>8,973.76</u>
Total Public Assistance Trust Fund	<u>8,973.76</u>
LOSAP Fund:	
Reserve for LOSAP Funds Held by Trustee	<u>1,078,002.86</u>
Total LOSAP Fund	<u>1,078,002.86</u>
	<u>\$ 1,982,347.76</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
BALANCE SHEET - REGULATORY BASIS
GENERAL CAPITAL FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>ASSETS</u>	<u>Balance, December 31, 2017</u>
Cash, Treasurer	\$ 135,115.20
Due from State of New Jersey - DOT	960,419.62
Due from Grant Fund	50,000.00
Deferred Charges to Future Taxation:	
Funded	3,643,771.94
Unfunded	<u>11,985,062.37</u>
	<u>\$ 16,774,369.13</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u> 	
General Serial Bonds	\$ 3,480,000.00
Bond Anticipation Notes	1,953,000.00
NJDEP Green Trust Loan	163,771.94
Reserve for Encumbrances	173,597.25
Improvement Authorizations:	
Funded	556,551.34
Unfunded	10,086,263.28
Reserve for:	
Capital Improvement Fund	47,487.74
Grant Receivable State of NJ - DOT	252,292.58
Water Retention	11,428.58
Fund Balance	<u>49,976.42</u>
Total Capital Fund	<u>\$ 16,774,369.13</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2017 in the amount of \$9,984,292.58.

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

<u>BALANCE, DECEMBER 31, 2016</u>	\$	56,476.30
 <u>INCREASED BY:</u>		
Premium on Sale of Bond Anticipation Notes	\$	<u>15,614.70</u>
		72,091.00
 <u>DECREASED BY:</u>		
Transfer to Current Fund as Miscellaneous Revenue	\$	<u>22,114.58</u>
 <u>BALANCE, DECEMBER 31, 2017</u>	 \$	 <u><u>49,976.42</u></u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
BALANCE SHEET - REGULATORY BASIS
WATER AND SEWER UTILITY FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>ASSETS</u>	December 31, <u>2017</u>
Operating Fund:	
Cash, Treasurer	\$ 1,549,281.90
Due from Water-Sewer Utility Operating Fund	<u>55,000.00</u>
	<u>1,604,281.90</u>
Receivables and Inventory with Offsetting Reserves:	
Consumer Accounts Receivable	345,660.17
Inventory	<u>25,694.19</u>
	<u>371,354.36</u>
Total Operating Fund	<u>1,975,636.26</u>
Capital Fund:	
Cash, Treasurer	37,637.03
Accounts Receivable - NJEIT Loan Receivable	76,565.34
Fixed Capital	13,446,802.42
Fixed Capital Authorized and Uncompleted	<u>6,095,000.00</u>
Total Capital Fund	<u>19,656,004.79</u>
	<u>\$ 21,631,641.05</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
BALANCE SHEET - REGULATORY BASIS
WATER AND SEWER UTILITY FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>December 31,</u> <u>2017</u>
Operating Fund:	
Appropriation Reserves	\$ 486,328.19
Reserve for Encumbrances	366,385.15
Consumer Overpayments	4,853.55
Commitments Payable	196,157.77
Accrued Interest on Bonds, Loans and Notes	48,039.87
	1,101,764.53
Reserve for Receivables and Inventory	371,354.36
Fund Balance	502,517.37
Total Operating Fund	1,975,636.26
Capital Fund:	
Serial Bonds Payable	1,958,000.00
Bond Anticipation Notes	72,000.00
NJEIT Loan:	
Federal	2,689,653.13
State	1,576,193.00
Improvement Authorizations:	
Unfunded	3,518,985.96
Capital Improvement Fund	90,087.05
Due to Water-Sewer Utility Operating Fund	55,000.00
Reserve for:	
Encumbrances	145,121.65
Paint Water Tower	50,000.00
Amortization	9,060,828.29
Deferred Reserve for Amortization	365,100.00
Fund Balance	75,035.71
Total Capital Fund	19,656,004.79
	\$ 21,631,641.05

There were Water-Sewer Utility Bonds and Notes Authorized but not Issued at December 31, 2017 in the amount of \$3,820,028.00.

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS
(UNAUDITED)

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>Year 2017</u>
Fund Balance Utilized	\$ 796,651.73
Water Rents	2,364,977.17
Water Tower Rental Fees	142,988.60
Morel Assessment	50,000.00
Nonbudget Revenues	21,445.61
Other Credits to Income:	
Unexpended Balances of Appropriation Reserves	177,135.36
Cancellation of Current Appropriations	<u>41,044.00</u>
Total Income	<u>\$ 3,594,242.47</u>
<u>EXPENDITURES</u>	
Budget Appropriations:	
Operating	\$ 2,402,035.73
Capital Improvements	110,000.00
Debt Service	657,616.00
Deferred Charges and Statutory Expenditures	<u>77,000.00</u>
Total Expenditures	<u>\$ 3,246,651.73</u>
Excess in Revenue over Expenditures	\$ 347,590.74
Statutory Excess to Fund Balance	347,590.74
Fund Balance, January 1	<u>951,578.36</u>
	\$ 1,299,169.10
Decreased By:	
Utilization as Anticipated Revenue	<u>796,651.73</u>
Fund Balance, December 31	<u><u>\$ 502,517.37</u></u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

BALANCE, DECEMBER 31, 2016

AND

BALANCE, DECEMBER 31, 2017

\$ 75,035.71

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Operating Fund Balance Anticipated	\$ 796,651.73	\$ 796,651.73	
Water-Sewer Rents	2,260,000.00	2,364,977.17	\$ 104,977.17
Water Tower Rental Fees	140,000.00	142,988.60	2,988.60
Moral Assessment	<u>50,000.00</u>	<u>50,000.00</u>	
	\$ 3,246,651.73	\$ 3,354,617.50	\$ 107,965.77
Nonbudget Revenue	<u> </u>	<u>21,445.61</u>	<u>21,445.61</u>
	<u>\$ 3,246,651.73</u>	<u>\$ 3,376,063.11</u>	<u>\$ 129,411.38</u>

ANALYSIS OF REALIZED REVENUE

	<u>Total</u>
Nonbudget Revenue:	
Interest/Costs Water	\$ 12,594.08
Water/Sewer Service Tie In	2,050.00
Final Billing Fee	2,850.00
Tax Sale Cost	1,334.23
Cit-E-Net Fees	807.30
Miscellaneous	<u>1,810.00</u>
	<u>\$ 21,445.61</u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF MILLTOWN
WATER AND SEWER UTILITY REGULATORY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Budget	Budget After Modification	Paid or Charged	- Expended -		Canceled
				Encumbered	Reserved	
OPERATING						
Salaries and Wages	\$ 356,500.00	\$ 356,500.00	\$ 294,900.57		\$ 61,599.43	
Other Expenses - Operating	850,225.00	850,225.00	612,126.44	\$ 40,621.61	197,476.95	
Water Purchase - City of New Brunswick	480,000.00	480,000.00	304,571.06	114,655.14	60,773.80	
Sewer Disposal - City of New Brunswick	659,100.00	659,100.00	367,909.64	211,108.40	80,081.96	
Sewer Back Charges - City of New Brunswick	46,210.73	46,210.73	46,210.73			
Terminal Leave	10,000.00	10,000.00	10,000.00			
Total Operating	<u>2,402,035.73</u>	<u>2,402,035.73</u>	<u>1,635,718.44</u>	<u>366,385.15</u>	<u>399,932.14</u>	
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	30,000.00	30,000.00	30,000.00			
Capital Outlay	80,000.00	80,000.00			80,000.00	
Total Capital Improvements	<u>110,000.00</u>	<u>110,000.00</u>	<u>30,000.00</u>		<u>80,000.00</u>	
DEBT SERVICE						
Payment of Bond Principal	240,000.00	240,000.00	240,000.00			
Payment of Bond Anticipation Notes and Capital Notes	24,000.00	24,000.00	24,000.00			
Interest on Bonds	55,662.00	55,662.00	55,661.25			0.75
Interest on Notes	2,177.00	2,177.00	2,082.01			94.99
NJEIT Program - Principal & Interest	335,777.00	335,777.00	295,000.47			40,776.53
Total Debt Service	<u>657,616.00</u>	<u>657,616.00</u>	<u>616,743.73</u>			<u>\$ 40,872.27</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	39,000.00	39,000.00	38,828.27			171.73
Social Security System (O.A.S.I.)	28,000.00	28,000.00	21,603.95		6,396.05	
Unemployment Compensation Insurance (NJSA 43:21 et. Seq.)	10,000.00	10,000.00	10,000.00			
Total Deferred Charges and Statutory Expenditures	<u>77,000.00</u>	<u>77,000.00</u>	<u>70,432.22</u>		<u>6,396.05</u>	<u>171.73</u>
Total Water and Sewer Utility Appropriations	<u>\$ 3,246,651.73</u>	<u>\$ 3,246,651.73</u>	<u>\$ 2,352,894.39</u>	<u>\$ 366,385.15</u>	<u>\$ 486,328.19</u>	<u>\$ 41,044.00</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
BALANCE SHEET - REGULATORY BASIS
ELECTRIC UTILITY FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>ASSETS</u>	<u>Balance December 31, 2017</u>
Operating Fund:	
Cash, Treasurer	\$ 3,781,884.05
Change Fund	<u>100.00</u>
	<u>3,781,984.05</u>
Receivables and Inventory with Offsetting Reserves:	
Consumer Accounts Receivable	653,436.66
Inventory	<u>102,457.50</u>
	<u>755,894.16</u>
Total Operating Fund	<u>4,537,878.21</u>
Capital Fund:	
Cash, Treasurer	434,771.29
Accounts Receivable - NJEIT Loan Receivable	52,803.05
Fixed Capital	6,616,229.77
Fixed Capital Authorized and Uncompleted	<u>18,375,000.00</u>
Total Capital Fund	<u>25,478,804.11</u>
	<u>\$ 30,016,682.32</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
BALANCE SHEET - REGULATORY BASIS
ELECTRIC UTILITY FUND
DECEMBER 31, 2017
(UNAUDITED)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Balance</u> <u>Dec 31, 2017</u>
Operating Fund:	
Appropriation Reserves	\$ 986,587.16
Reserve for Encumbrances	229,945.07
Consumer Overpayments	10,660.23
Consumer Deposits	130,751.26
Commitments Payable	67,855.43
Accrued Interest on Bonds, Loans and Notes	53,070.38
	<u>1,478,869.53</u>
Reserve for Receivables and Inventory	755,894.16
Fund Balance	<u>2,303,114.52</u>
 Total Operating Fund	 <u>4,537,878.21</u>
Capital Fund:	
Serial Bonds Payable	1,379,000.00
Bond Anticipation Notes	114,000.00
NJEIT Loan:	
Federal	7,175,593.23
State	3,225,000.00
Improvement Authorizations:	
Unfunded	3,781,101.75
Capital Improvement Fund	12,321.81
Reserve for:	
Encumbrances	252,725.69
Line Extensions	7,700.00
Various Reserves	464,000.00
Amortization	5,968,161.54
Deferred Reserve for Amortization	2,799,475.00
Fund Balance	<u>299,725.09</u>
 Total Capital Fund	 <u>25,478,804.11</u>
	 <u>\$ 30,016,682.32</u>

There were Electric Utility Bonds and Notes Authorized but not Issued at December 31, 2017 in the amount of \$4,330,000.00.

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS
(UNAUDITED)

	<u>Year 2017</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>	
Electric Charges	\$ 7,688,092.95
Nonbudget Revenues	65,917.78
Other Credits to Income:	
Current Appropriations Canceled	5,030.29
Unexpended Balance of Appropriation Reserves	<u>886,501.97</u>
 Total Income	 \$ <u>8,645,542.99</u>
<u>EXPENDITURES</u>	
Budget Appropriations:	
Operating	\$ 6,544,525.00
Capital Improvements	55,000.00
Debt Service	868,016.00
Deferred Charges and Statutory Expenditures	<u>144,650.00</u>
 Total Expenditures	 \$ <u>7,612,191.00</u>
 Excess in Revenue over Expenditures	 <u>1,033,351.99</u>
 Statutory Excess to Fund Balance	 \$ 1,033,351.99
 Fund Balance, January 1	 <u>2,884,103.53</u>
	\$ 3,917,455.52
 Decreased by:	
Surplus - Prior Years - General Budget	\$ <u>1,614,341.00</u>
	\$ <u>1,614,341.00</u>
 Fund Balance, December 31	 <u><u>\$ 2,303,114.52</u></u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
ELECTRIC UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

BALANCE, DECEMBER 31, 2016

AND

BALANCE, DECEMBER 31, 2017

\$ 299,725.09

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Electric, Light and Power Sales	\$ <u>7,612,191.00</u>	\$ <u>7,688,092.95</u>	\$ <u>75,901.95</u>
Nonbudget Revenue	<u> </u>	<u>65,917.78</u>	<u>65,917.78</u>
	<u>\$ 7,612,191.00</u>	<u>\$ 7,754,010.73</u>	<u>\$ 141,819.73</u>

ANALYSIS OF NONBUDGET REVENUE

	<u>Total</u>
Nonbudget Revenue:	
Interest on Costs	\$ 30,109.50
Cit-E-Net Fees	2,259.90
Ryders Lane Light	407.70
Final Billing	4,325.00
Tax Sale	2,878.80
Miscellaneous	<u>25,936.88</u>
	<u>\$ 65,917.78</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF MILLTOWN
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Budget	Budget After Modification	Paid or Charged	- Expended - Encumbered	Reserved
					Canceled
OPERATING					
Salaries and Wages	\$ 697,000.00	\$ 697,000.00	\$ 579,321.67	\$ 117,678.33	
Other Expenses	1,087,525.00	1,087,525.00	667,009.89	\$ 49,168.08	371,347.03
Bulk Energy Purchase	4,750,000.00	4,750,000.00	4,137,770.80	180,776.99	431,452.21
Terminal Leave	10,000.00	10,000.00	10,000.00		
Total Operating	<u>6,544,525.00</u>	<u>6,544,525.00</u>	<u>5,394,102.36</u>	<u>229,945.07</u>	<u>920,477.57</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	55,000.00	55,000.00			55,000.00
Total Capital Improvements	<u>55,000.00</u>	<u>55,000.00</u>			<u>55,000.00</u>
DEBT SERVICE					
Payment of Bond Principal	135,000.00	135,000.00	135,000.00		
Payment of Bond Anticipation Notes	38,000.00	38,000.00	38,000.00		
Interest on Bonds	46,472.00	46,472.00	46,303.25		\$ 168.75
Interest on Notes	3,458.00	3,458.00	3,453.31		4.69
NJEIT Principal and Interest	645,086.00	645,086.00	640,235.82		4,850.18
Total Debt Service	<u>868,016.00</u>	<u>868,016.00</u>	<u>862,992.38</u>		<u>5,023.62</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	80,650.00	80,650.00	80,643.33		6.67
Social Security System (O.A.S.I.)	54,000.00	54,000.00	42,890.41		11,109.59
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	10,000.00	10,000.00	10,000.00		
Total Deferred Charges and Statutory Expenditures	<u>144,650.00</u>	<u>144,650.00</u>	<u>133,533.74</u>		<u>11,109.59</u>
Total Electric Utility Appropriations	<u>\$ 7,612,191.00</u>	<u>\$ 7,612,191.00</u>	<u>\$ 6,390,628.48</u>	<u>\$ 229,945.07</u>	<u>\$ 986,587.16</u>
					<u>\$ 5,030.29</u>

The Notes to Financial Statements have been omitted.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Milltown, in the County of Middlesex, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$14,900,000 General Obligation Bonds, Series 2018, consisting of \$8,745,000 General Improvement Bonds, Series 2018A, \$2,295,000 Water/Sewer Improvement Bonds, Series 2018B, and \$3,860,000 Electric Improvement Bonds, Series 2018C (collectively, the "Bonds"). The Bonds are being issued pursuant to various Bond Ordinances (collectively, the "Ordinances") duly adopted by the Council of the Issuer (the "Council"), as set forth in a Resolution duly adopted by the Council on December 18, 2017 (the "Resolution"). The Bonds are dated their date of delivery and shall mature on May 1st in the years 2019 through 2038, inclusive. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12, as amended.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System operated by MSRB.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rule Making Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" or "Repositories" shall mean each State Repository, if any, and the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access system ("EMMA").

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New Jersey.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. (a) The Issuer shall, or cause the Dissemination Agent to, not later than September 30th of each year, commencing September 30, 2018 for the Annual Report for the fiscal year ending December 31, 2017, provide to the MSRB via the EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner not in excess of ten (10) business days after such required date, send a notice, in substantially the form attached hereto as Exhibit A, to the MSRB via EMMA on such form and in such format as shall be required by the MSRB for such filings.

(c) The Dissemination Agent shall:

1. If the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. (a) The Issuer's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Certain financial and operating data of the Issuer, consisting of: (i) Issuer indebtedness; (ii) the Issuer's most current adopted budget; (iii) property valuation information; and (iv) tax rate, levy and collection data.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall deliver in a timely manner not in excess of ten (10) business days after the occurrence of the event, through EMMA, at www.emma.msrb.org, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of holders of the Bonds, if material;
8. bond calls, if material;
9. defeasances;
10. release, substitution, or sale of property securing payment of the Bonds, if material;
11. rating changes;
12. tender offers for the Bonds;
13. bankruptcy, insolvency, receivership or similar events of the Issuer;
14. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. appointment of a successor or additional trustee, or the change of a trustee, if material.

The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue is which securities will be redeemed in the case of a partial redemption; (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event (for which a determination of materiality is applicable) would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB via EMMA.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The Initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Prior Compliance with the Rule. The Issuer is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**BOROUGH OF MILLTOWN, IN THE
COUNTY OF MIDDLESEX, NEW JERSEY**

By _____
DENISE BIANCAMANO,
Chief Financial Officer

Dated: May 10, 2018

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Borough of Milltown, County of Middlesex, New Jersey
Name of Bond Issue: \$14,900,000 General Obligation Bonds, Series 2018
Dated Date: May 10, 2018
(CUSIP Number: _____)

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Agreement for the General Obligation Bonds dated May 10, 2018 and executed by the Borough. The Issuer anticipates that the Annual Report will be filed by _____.

Date: _____

**BOROUGH OF MILLTOWN, IN THE
COUNTY OF MIDDLESEX, NEW JERSEY**

By: _____
Name:
Title:

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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Trenton Office
428 River View Plaza
Trenton, NJ 08611
Phone 609-278-1900
Fax 609-278-9200

Red Bank Office
11 Wharf Avenue, Suite 4
Red Bank, NJ 07701
Phone 732-530-8822
Fax 732-530-6770

glucklaw.com

Reply to:

Red Bank Office
Meghan Bennett Clark
Direct Dial: 732-530-8822
Mclark@glucklaw.com

An opinion in substantially the following form
will be delivered at Closing assuming no
material changes in facts or law.

May 10, 2018

Mayor and Members of the Borough Council
Borough of Milltown
Middlesex County, New Jersey

RE: Borough of Milltown, County of Middlesex, New Jersey
\$14,900,000 General Obligation Bonds, Series 2018

Dear Mayor and Council:

We have examined the record of proceedings relating to the issuance of \$14,900,000
General Obligation Bonds, Series 2018, consisting of \$8,745,000 General Improvement Bonds,
Series 2018A, \$2,295,000 Water/Sewer Improvement Bonds, Series 2018B, and \$3,860,000
Electric Improvement Bonds, Series 2018C (collectively, the "Bonds"), of the Borough of
Milltown, in the County of Middlesex, a municipal corporation of the State of New Jersey (the
"Borough"). The Bonds are dated May 10, 2018 and mature on May 1st in each year in the
principal amounts set forth in the table below. Interest on the Bonds, at the respective rates of
interest set forth below, is payable semiannually on November 1st and May 1st of each year,
commencing on November 1, 2018, until maturity.

Table with 6 columns: Maturity (May 1st), General Improvement Bonds, Series 2018A, Water/Sewer Improvement Bonds, Series 2018B, Electric Improvement Bonds, Series 2018C, Combined Maturity, Interest Rate. Rows for years 2019-2025.



2026	\$520,000	\$145,000	\$125,000	\$790,000	5.000%
2027	\$540,000	\$145,000	\$125,000	\$810,000	4.000%
2028	\$540,000	\$145,000	\$245,000	\$930,000	3.000%
2029	\$540,000	\$145,000	\$245,000	\$930,000	3.000%
2030	\$540,000	\$145,000	\$245,000	\$930,000	3.000%
2031	\$540,000	\$145,000	\$250,000	\$935,000	3.125%
2032	\$540,000	\$150,000	\$250,000	\$940,000	3.250%
2033	\$540,000	\$150,000	\$250,000	\$940,000	3.250%
2034	\$500,000	\$150,000	\$250,000	\$900,000	3.375%
2035	\$500,000	\$150,000	\$250,000	\$900,000	3.375%
2036	\$500,000	\$100,000	\$250,000	\$850,000	3.500%
2037	\$500,000	\$100,000	\$250,000	\$850,000	3.500%
2038	\$500,000	\$100,000	\$250,000	\$850,000	3.500%

The Bonds are subject to redemption prior to maturity as set forth in the Official Statement.

The Bonds are issued in fully registered form without coupons and are transferable as provided therein and are of various denominations and are numbered consecutively upwards. We have examined each bond as executed, and, in our opinion, their form and execution are regular and proper.

The Bonds are authorized pursuant to the Local Bond Law of the State of New Jersey (*N.J.S.A. 40A:2-1 et seq.*) and are issued pursuant to a Bond Resolution adopted by the Borough on December 18, 2017 (the “Bond Resolution”), and by virtue of various Bond Ordinances finally adopted by the Borough as identified in the Bond Resolution (collectively, the “Bond Ordinances”). The Bonds are being issued to: (i) permanently finance the cost of various general capital, Water/Sewer Utility and Electric Utility improvements in and by the Borough; and (ii) pay costs of issuance and delivery of the Bonds.

In forming our opinion, we have examined certified copies of the Bond Ordinances, Bond Resolution and related proceedings. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Arbitrage and Use of Proceeds Certificate of the Borough dated the date of the Bonds (the “Arbitrage Certificate”) for the purpose of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Bonds, on a certificate of the Borough executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Borough which may have been provided to any purchaser or prospective purchaser of the Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Borough has provided the Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Arbitrage Certificate, the Borough has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is not includible in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Borough with the covenants contained in the Bonds and the statements contained in the Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Borough in respect of the Bonds after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Bonds. These covenants and statements relate to, *inter alia*, the use of proceeds of the Bonds and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Borough will comply with the provisions of the Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Borough therewith.

Based upon and subject to the foregoing we are of the opinion that:

1. The Bonds are valid and legally binding obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors’ rights in general, from time to time in effect and by equitable principles, whether considered at law or in equity.

2. Interest on the Bonds and any gain from the sale thereof are not includible in gross income under the New Jersey Gross Income Tax Act.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations by the Internal Revenue Code of 1986, as amended (the “Code”). Interest on a Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the adjusted current earnings of the corporate holder. Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.



The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Borough furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100