

**TOWNSHIP OF READINGTON**  
**HUNTERDON COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**TOWNSHIP OF READINGTON**

**HUNTERDON COUNTY**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2016**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Township Council  
Township of Readington  
Readington, New Jersey

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Readington, as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Readington on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

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

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

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

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Township’s Trust Funds, and represent 39 percent and 41 percent of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2016 and 2015, respectively.

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

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Township of Readington as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2016 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.



*Other Matters*

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Readington as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Readington.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements 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 supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

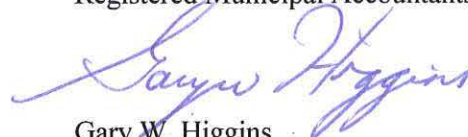
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2017 on our consideration of the Township of Readington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Readington's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
March 20, 2017

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>Regular Fund</b>			
Cash	A-4	\$ 7,681,988	\$ 7,505,946
Cash - Change Fund	A-5	650	650
Due from State - Senior Citizens and Veterans Deductions	A-7	<u>58,034</u>	<u>49,146</u>
		<u>7,740,672</u>	<u>7,555,742</u>
<b>Receivables and Other Assets with Full Reserves</b>			
Delinquent Property Taxes Receivable	A-8	702,441	1,114,876
Tax Title Liens Receivable	A-9	108,472	105,482
Due from General Capital Fund	C-5	7	311
Due from Sewer Operating Fund	D-9	-	6,884
Revenue Accounts Receivable	A-10	<u>8,372</u>	<u>6,383</u>
		<u>819,292</u>	<u>1,233,936</u>
<b>Deferred Charges:</b>			
Overexpenditure of Appropriation	A-20	500,743	-
Emergency Authorizations	A-28	<u>185,000</u>	<u>-</u>
		<u>685,743</u>	<u>-</u>
<b>Total Regular Fund</b>		<u>9,245,707</u>	<u>8,789,678</u>
<b>Grants Fund</b>			
Grants Receivable	A-21	5,000	10,000
Due from Current Fund	A-23	<u>21,975</u>	<u>38,101</u>
<b>Total Grants Fund</b>		<u>26,975</u>	<u>48,101</u>
<b>Total Assets</b>		<u>\$ 9,272,682</u>	<u>\$ 8,837,779</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,A-11	\$ 595,934	\$ 677,374
Encumbrances Payable	A-12	409,651	157,003
Reserve for Master Plan	A-19	76,514	76,514
Reserve for Sale of Assets	A-24	11,873	30,912
Prepaid Taxes	A-13	412,759	401,167
Regional School Taxes Payable	A-17	3,052,130	3,052,130
County Taxes Payable	A-15	61,366	53,005
Miscellaneous Fees Payable	A-18	14,961	11,210
Due to Grants Fund	A-23	21,975	38,101
Reserve for Tax Sale Premiums	A-25	628,200	465,700
Reserve for Tax Appeals	A-27	308,002	308,002
Tax Overpayments	A-14	<u>178,363</u>	<u>174,567</u>
		5,771,728	5,445,685
Reserve for Receivables	A	819,292	1,233,936
Fund Balance	A-1	<u>2,654,687</u>	<u>2,110,057</u>
<b>Total Regular Fund</b>		<u>9,245,707</u>	<u>8,789,678</u>
<b>Grants Fund</b>			
Encumbrances Payable	A-29	358	4,461
Reserve for Grants and Donations - Appropriated	A-22	<u>26,617</u>	<u>43,640</u>
<b>Total Grants Fund</b>		<u>26,975</u>	<u>48,101</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 9,272,682</u>	<u>\$ 8,837,779</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 1,055,000	\$ 1,190,678
Miscellaneous Revenues	A-2	3,343,960	3,481,280
Receipts from Delinquent Taxes	A-2	899,452	796,268
Receipts from Current Taxes	A-2	72,209,785	71,469,125
Non-Budget Revenues	A-2	81,556	112,099
Other Credits to Income:			
Interfunds and Other Receivables Returned	A	7,188	4,679
Unexpended Balance of Appropriation Reserves	A-11	<u>543,004</u>	<u>325,111</u>
 Total Income		 <u>78,139,945</u>	 <u>77,379,240</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,409,855	6,031,860
Other Expenses	A-3	7,128,178	6,584,407
Capital Improvements	A-3	290,000	270,000
Municipal Debt Service	A-3	2,862,855	2,936,295
Deferred Charges and Statutory			
Expenditures	A-3	1,566,569	1,906,920
Regional School District Tax	A-17	18,154,962	18,051,369
Local District School Tax	A-16	28,820,286	28,731,847
County Tax	A-15	11,402,340	11,039,654
County Share of Added and Omitted Taxes	A-15	61,366	53,005
Local Open Space Tax	A-30	518,667	521,877
Local Open Space Added Taxes	A-30	2,803	2,493
Grant Receivables Cancelled	A-1	-	131
Refund of Prior Year Revenue	A-4	6,677	5,678
Prior Year Senior Citizen Deduction Disallowed	A-7	1,500	
Interfunds Established	A	<u>-</u>	<u>6,884</u>
 Total Expenditures		 <u>77,226,058</u>	 <u>76,142,420</u>
Excess of Revenues over Expenditures		913,887	1,236,820
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-20, A-28	<u>685,743</u>	<u>-</u>
 Statutory Excess to Fund Balance		 1,599,630	 1,236,820
 FUND BALANCE, JANUARY 1	A	 <u>2,110,057</u>	 <u>2,063,915</u>
		3,709,687	3,300,735
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,055,000</u>	<u>1,190,678</u>
 FUND BALANCE, DECEMBER 31	A	 <u>\$ 2,654,687</u>	 <u>\$ 2,110,057</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	Reference	2016		2016 Realized	Excess or (Deficit)
		<u>Budget</u>	<u>Anticipated</u> Added by: <u>NJS 40A:4-87</u>		
Fund Balance Anticipated	A-1	\$ 1,055,000	-	\$ 1,055,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-10	18,000		20,381	\$ 2,381
Fees and Permits					
Other	A-2	165,000		173,116	8,116
Fines and Costs					
Municipal Court	A-10	115,000		126,796	11,796
Interest and Costs on Taxes	A-10	231,000		189,683	(41,317)
Interest on Investments and Deposits	A-2	22,000		34,721	12,721
Energy Receipts Tax	A-10	1,421,711		1,421,711	
Garden State Trust Fund	A-10	3,962		3,962	
Uniform Construction Code Fees	A-10	516,000		581,237	65,237
State and Federal Revenues Offset with Appropriations					
Clean Communities Program	A-21		\$ 63,116	63,116	
Body Armor Grant	A-21		2,345	2,345	
Click it or Ticket	A-21		4,500	4,500	
Trails Grant NJDEP	A-21		4,600	4,600	
Alcohol Education & Rehabilitation	A-21		4,774	4,774	
NJ Environmental Commission - ANJEC	A-21		800	800	
Other Special Items					
Uniform Safety Act	A-10	24,000		27,562	3,562
General Capital Fund Balance	C-5	483,744		483,744	
Housing Trust Fund Balance	A-10	40,000		40,000	
Reserve for Sale of Assets	A-24	30,912		30,912	
Sewer Utility Expansion Trust Fund Balance	D-11	130,000	-	130,000	-
Total Miscellaneous Revenues	A-1	3,201,329	80,135	3,343,960	62,496
Receipts from Delinquent Taxes	A-2	746,000	-	899,452	153,452

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

	<u>Reference</u>	2016 <u>Anticipated</u>		<u>2016 Realized</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Added by: NJS 40A:4-87</u>		
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes		\$ 13,692,799	-	\$ 14,449,361	\$ 756,562
 Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>13,692,799</u>	<u>-</u>	<u>14,449,361</u>	<u>756,562</u>
 Total General Revenue	A-3	<u>\$ 18,695,128</u>	<u>\$ 80,135</u>	19,747,773	<u>\$ 972,510</u>
 Non-Budget Revenue	A-1,A-2			<u>81,556</u>	
				<u>\$ 19,829,329</u>	

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

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 72,209,785
Allocated to		
Local School, Regional High School, ^ County and Municipal Open Space Taxes	A-15,A-16, 17, 30	<u>58,960,424</u>
		13,249,361
Add: Appropriation for Reserve for Uncollected Taxes	A-3	<u>1,200,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 14,449,361</u>
Analysis of Delinquent Taxes		
Taxes Receivable	A-2, A-8	<u>\$ 899,452</u>
Fees and Permits - Other		
Township Clerk	A-10	\$ 25,295
Board of Health /Registrar of Vital Statistics	A-10	45,610
Fire Prevention	A-10	63,527
Planning and Zoning Boards	A-10	21,132
Department of Public Works	A-10	13,295
Police	A-10	<u>4,257</u>
	A-2	<u>\$ 173,116</u>
Interest on Investments		
Cash Receipts	A-10	\$ 26,096
Due from Animal Control Fund	B-7	38
Due from Other Trust Fund	B-9	3,763
Due from General Capital Fund	C-5	<u>4,824</u>
	A-2	<u>\$ 34,721</u>
Non-Budget Revenues		
Senior Citizens and Veterans Deductions Administrative Fee		\$ 2,575
Library Aid		752
Cable Franchise Fee		17,427
Land Lease		6,888
Tax Collector		470
FEMA Reimbursement		4,862
Police Outside Duty Administration Fees		11,314
Police Outside Duty Vehicle Use Fees		3,705
County Emergency Management Contributions		10,000
Rental of Properties		8,040
Payments in Lieu of Taxes on Real Property		12,878
Miscellaneous		<u>2,645</u>
	A-2, A-4	<u>\$ 81,556</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	2016					
	<u>Appropriated</u>		<u>2016 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditures</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries and Wages	\$ 355,900	\$ 356,400	\$ 356,340	\$ 60		
Other Expenses						
Elections	13,000	13,000	11,532	1,468		
Miscellaneous Other Expenses	102,000	102,000	101,074	926		
Mayor and Committee						
Salaries and Wages	36,500	36,500	34,454	2,046		
Financial Administration						
Salaries and Wages	206,300	206,300	197,140	9,160		
Other Expenses	12,000	12,000	9,963	2,037		
Audit Services	38,700	38,700	38,700	-		
Revenue Administration						
Salaries and Wages	84,100	84,100	84,091	9		
Other Expenses	24,000	24,000	20,230	3,770		
Assessment of Taxes						
Salaries and Wages	76,100	76,100	76,013	87		
Other Expenses						
Revision of Tax Map	15,000	15,000	4,123	10,877		
Miscellaneous Other Expenses	7,000	7,000	2,109	4,891		
Legal Service and Costs						
Other Expenses	375,000	560,000	1,060,743		\$ 500,743	
Engineering Services and Costs						
Other Expenses	150,000	150,000	149,619	381		
Museum Committee						
Salaries and Wages	32,300	32,300	16,924	15,376		
Other Expenses	18,000	18,000	14,973	3,027		
Historic Preservation Committee						
Other Expenses	2,500	2,500	4	2,496		
Planning Board						
Salaries and Wages	26,000	26,500	26,470	30		
Other Expenses	3,000	3,000	2,195	805		
Board of Adjustment						
Salaries and Wages	55,625	69,325	69,167	158		
Other Expenses	2,500	4,500	4,063	437		
Environmental Health Commission						
Salaries and Wages	1,080	1,080	1,080	-		
Other Expenses						
Consultants	120,000	130,000	126,842	3,158		
Miscellaneous Other Expenses	4,000	4,000	2,480	1,520		
Insurance						
General Liability	456,900	456,900	446,754	10,146		
Employee Group Insurance	2,031,900	2,031,900	1,924,996	106,904		
Worker's Compensation	233,900	233,900	233,900	-		
PUBLIC SAFETY FUNCTIONS						
Police						
Salaries and Wages	2,861,700	2,861,700	2,825,500	36,200		
Other Expenses	240,000	240,000	235,184	4,816		
Patrol of School Crossings						
Salaries and Wages	27,100	27,100	23,537	3,563		
Emergency Management Services						
Salaries and Wages	14,500	14,650	14,629	21		
Other Expenses	3,500	3,500	794	2,706		

The Accompanying Notes are an Integral Part of these Financial Statements



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

	2016		2016 Expended		Overexpenditures	Cancelled
	<u>Budget</u>	<u>Appropriated</u> Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Cont'd)						
PUBLIC SAFETY FUNCTIONS (Cont'd)						
Fire						
Other Expenses						
Aid to Volunteer Fire Co.	\$ 120,000	\$ 120,000	\$ 120,000	-		
Purchase of Equipment for Volunteer Fire Co.	88,640	88,640	71,172	\$ 17,468		
Training Fire Department Personnel	16,000	16,000	13,842	2,158		
Uniform Fire Safety Act						
Salaries and Wages	56,300	64,800	64,671	129		
Other Expenses	4,000	4,000	554	3,446		
Supplemental Fire Service Program						
Other Expenses	10,000	10,000	7,418	2,582		
Aid to Volunteer Ambulance Companies						
Whitehouse First Aid Organization	30,000	30,000	30,000	-		
Purchase of Equipment for First Aid Organizations	22,160	22,160	14,500	7,660		
Municipal Prosecutors Office						
Other Expenses	37,000	37,000	31,344	5,656		
PUBLIC WORK FUNCTIONS						
Road Repairs and Maintenance						
Salaries and Wages	1,496,800	1,445,950	1,397,971	47,979		
Other Expenses	375,000	375,000	354,878	20,122		
Waste Collection/Recycling						
Salaries and Wages	23,750	23,750	23,750	-		
Other Expenses	700,000	700,000	657,859	42,141		
Snow Removal						
Other Expenses	120,000	120,000	95,025	24,975		
Buildings and Grounds						
Salaries and Wages	238,100	253,900	253,809	91		
Other Expenses	110,000	110,000	109,033	967		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	44,900	44,900	43,873	1,027		
Other Expenses	23,000	43,000	37,265	5,735		
Animal Control Services						
Other Expenses	5,000	5,000	5,000	-		
Administration of Public Assistance						
Salaries and Wages	117,100	117,100	117,001	99		
Other Expenses	2,000	2,000	977	1,023		
PARK AND RECREATION FUNCTIONS						
Recreation						
Salaries and Wages	93,900	93,900	93,673	227		
Other Expenses	40,000	40,000	34,764	5,236		
Senior Citizens Transportation						
Other Expenses	9,000	9,000		9,000		
Expense of Participation of Free County Library						
Salaries and Wages	154,500	129,500	128,011	1,489		
Other Expenses	8,000	8,000	7,559	441		
Cost of PEOSHA Requirements						
Other Expenses	55,000	55,000	40,149	14,851		

The Accompanying Notes are an Integral Part of these Financial Statements

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

	2016					
	<u>Appropriated</u>		<u>2016 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditures</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)						
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY						
DEDICATED REVENUES						
(N.J.A.C. 5:23-4-17)						
Construction Code Official						
Salaries and Wages	\$ 328,700	\$ 333,400	\$ 333,298	\$ 102		
Other Expenses	65,000	65,000	56,707	8,293		
UTILITIES						
Fire Hydrant Service	90,000	90,000	81,163	8,837		
Electricity	140,000	140,000	120,467	19,533		
Street Lighting	50,000	50,000	34,558	15,442		
Telephone	75,000	75,000	68,907	6,093		
Fuel Oil	8,500	8,500	8,500	-		
Gasoline	120,000	120,000	81,224	38,776		
Celebration of Public Events						
Other Expenses	8,000	8,000	7,651	349		
Municipal Court						
Salaries and Wages	110,600	110,600	110,573	27		
Other Expenses	18,000	18,000	17,951	49		
Public Defender						
Other Expenses	15,000	15,000	14,549	451	-	-
Contingent	3,000	3,000	1,320	1,680	-	-
	<u>12,662,055</u>	<u>12,847,055</u>	<u>12,806,589</u>	<u>541,209</u>	<u>500,743</u>	<u>-</u>
Detail:						
Salaries and Wages	6,441,855	6,409,855	6,291,975	117,880		
Other Expenses	6,220,200	6,437,200	6,514,614	423,329	500,743	-
DEFERRED CHARGES AND STATUTORY						
EXPENDITURES - MUNICIPAL						
WITHIN "CAPS"						
Social Security System (O.A.S.I.)	507,000	507,000	463,877	43,123		
Public Employees' Retirement System	395,472	395,472	395,472	-		
Police and Firemen's Retirement System	533,649	533,649	533,649	-		
Unemployment Insurance	5,000	5,000	2,798	2,202	-	-
	<u>1,441,121</u>	<u>1,441,121</u>	<u>1,395,796</u>	<u>45,325</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,441,121</u>	<u>1,441,121</u>	<u>1,395,796</u>	<u>45,325</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>14,103,176</u>	<u>14,288,176</u>	<u>14,202,385</u>	<u>586,534</u>	<u>500,743</u>	<u>-</u>

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

	2016					
	<u>Appropriated</u>		<u>2016 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditures</u>	<u>Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
Length of Service Awards Program (LOSAP)	\$ 75,000	\$ 75,000	\$ 65,600	\$ 9,400	-	-
Employee Group Health	35,100	35,100	35,100	-	-	-
Total Other Operations Excluded from "CAPS"	<u>110,100</u>	<u>110,100</u>	<u>100,700</u>	<u>9,400</u>	<u>-</u>	<u>-</u>
<b>Public and Private Programs Offset by Revenues</b>						
Clean Communities Program		63,116	63,116	-		
Body Armor Grant		2,345	2,345			
Click it or Ticket		4,500	4,500			
Trails Grant NJDEP		4,600	4,600			
Alcohol Education & Rehabilitation		4,774	4,774	-		
NJ Environmental Commission - ANJEC	-	800	800	-	-	-
Total Public and Private Programs Offset by Revenues	<u>-</u>	<u>80,135</u>	<u>80,135</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>110,100</u>	<u>190,235</u>	<u>180,835</u>	<u>9,400</u>	<u>-</u>	<u>-</u>
<b>Detail:</b>						
Other Expenses	<u>110,100</u>	<u>190,235</u>	<u>180,835</u>	<u>9,400</u>	<u>-</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>						
Capital Improvement Fund	90,000	90,000	90,000			
Road Repairs and Improvements	200,000	200,000	200,000	-	-	-
Total Capital Improvements Excluded from "CAPS"	<u>290,000</u>	<u>290,000</u>	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>						
Payment of Bond Principal	1,030,000	1,030,000	1,030,000	-		
Payment of Bond Anticipation Notes	287,254	287,254	287,254	-		
Interest on Bonds	1,013,900	1,013,900	1,013,893	-		\$ 7
Interest on Notes	130,350	130,350	130,325	-		25
Green Trust Loan Program:						
Loan Repayments of Principal and Interest	404,900	404,900	401,383	-	-	3,517
Total Municipal Debt Service Excluded from "CAPS"	<u>2,866,404</u>	<u>2,866,404</u>	<u>2,862,855</u>	<u>-</u>	<u>-</u>	<u>3,549</u>

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

	2016					
	<u>Appropriated</u>		<u>2016 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditures</u>	<u>Cancelled</u>
<b>DEFERRED CHARGES</b>						
Deferred Charges to Future Taxation - Unfunded						
Ordinance 03-08/05-01	\$ 75,448	\$ 75,448	\$ 75,448	-	-	-
Ordinance 03-18	50,000	50,000	50,000	-	-	-
<b>Total Deferred Charges - Municipal Excluded from "CAPS"</b>	<u>125,448</u>	<u>125,448</u>	<u>125,448</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total General Appropriations for Municipal Purposes Excluded from "CAPS"</b>	<u>3,391,952</u>	<u>3,472,087</u>	<u>3,459,138</u>	<u>\$ 9,400</u>	<u>\$ -</u>	<u>\$ 3,549</u>
<b>Subtotal General Appropriations</b>	17,495,128	17,760,263	17,661,523	595,934	500,743	3,549
<b>Reserve for Uncollected Taxes</b>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total General Appropriations</b>	<u>\$ 18,695,128</u>	<u>\$ 18,960,263</u>	<u>\$ 18,861,523</u>	<u>\$ 595,934</u>	<u>\$ 500,743</u>	<u>\$ 3,549</u>
<u>Reference</u>	A-2			A	A-20	

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

	<u>Reference</u>	<u>Budget After Modification</u>	
Budget as Adopted	A-2	\$ 18,695,128	
Added by N.J.S. 40A:4-87	A-2	80,135	
2016 Emergency Appropriation	A-28	<u>185,000</u>	
		<u>\$ 18,960,263</u>	
			<u>Paid or Charged</u>
Cash Disbursed	A-4		\$ 18,016,634
Less Refunds	A-4		<u>813,982</u>
			17,202,652
Encumbrances Payable	A-12		378,736
Transferred to Grants Fund	A-22		80,135
Reserve for Uncollected Taxes	A-2		<u>1,200,000</u>
			<u>\$ 18,861,523</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-3	\$ 3,252	\$ 9,448
Total Assets		<u>3,252</u>	<u>9,448</u>
<b>OTHER TRUST FUND</b>			
Cash	B-3	2,111,367	1,685,377
Accounts Receivable -Other	B-8	400,000	400,000
		<u>2,511,367</u>	<u>2,085,377</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)</b>			
Investments	B	1,533,530	1,377,626
Intergovernmental Receivable	B	69,600	65,600
		<u>1,603,130</u>	<u>1,443,226</u>
Total Assets		<u>\$ 4,117,749</u>	<u>\$ 3,538,051</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to the State of New Jersey	B-6	\$ 278	\$ 650
Prepaid Licenses	B-5	2,622	6,508
Reserve for Animal Control Expenditures	B-4	352	2,290
		<u>3,252</u>	<u>9,448</u>
<b>OTHER TRUST FUND</b>			
Miscellaneous Reserves	B-11	2,504,736	2,085,377
Due to State of New Jersey - Unemployment Compensation	B-10	6,631	-
		<u>2,511,367</u>	<u>2,085,377</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)</b>			
Reserve for LOSAP Benefits	B	1,603,130	1,443,226
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,117,749</u>	<u>\$ 3,538,051</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND**

	<u>Reference</u>	2016 Budget (Memorandum)	2016 Realized	Variance
Amount to be Raised by Taxation		\$ 520,667	\$ 521,470	\$ 803
		<u>\$ 520,667</u>	521,470	<u>\$ 803</u>
Non-Budget Revenue	<u>Reference</u>	B-2	<u>104,345</u>	
	<u>Reference</u>	B-11	<u>\$ 625,815</u>	
Analysis of Non-Budget Revenue				
Interest on Investments and Deposits			\$ 155	
State Property Reimbursement			<u>104,190</u>	
		B-1	<u>\$ 104,345</u>	

EXHIBIT B-2

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND**

	<u>Reference</u>	2016 Budget (Memorandum)	2016 Paid or Charged	Variance
Reserve for Future Use	B-11	\$ 667	1,947	\$ (1,280)
Debt Service				
Payment of Bond Principal	B-11	<u>520,000</u>	<u>520,000</u>	<u>-</u>
		<u>\$ 520,667</u>	<u>\$ 521,947</u>	<u>\$ (1,280)</u>
	<u>Reference</u>	B-1	B-11	

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 2,222,415	\$ 2,162,714
Accounts Receivable	C-4		21,983
Deferred Charges to Future Taxation:			
Funded	C-6	26,897,387	28,813,815
Unfunded	C-7	<u>27,866,169</u>	<u>27,740,534</u>
 Total Assets		 <u>\$ 56,985,971</u>	 <u>\$ 58,739,046</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	C-11	\$ 25,423,000	\$ 26,973,000
Bond Anticipation Notes Payable	C-13	25,700,000	24,563,940
Green Acres Loans Payable	C-12	1,474,387	1,840,815
Improvement Authorizations			
Funded	C-9	2,055,442	2,053,658
Unfunded	C-9	968,853	1,149,756
Contracts Payable	C-10	128,468	882,445
Due to Current Fund	C-5	7	311
Capital Improvement Fund	C-8	65,979	60,979
Reserve for Emergency Vehicles	C-14	4,240	4,240
Reserve for Road Improvements	C-15	152,250	132,250
Reserve for Rescue Squad Loan	C-16	-	21,983
Reserve for Green Acres Settlement	C-17	502,541	484,000
Fund Balance	C-1	<u>510,804</u>	<u>571,669</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 56,985,971</u>	 <u>\$ 58,739,046</u>

There were bonds and notes authorized but not issued at December 31, 2016 and 2015 of \$2,491,180 and \$3,963,612 respectively (Exhibit C-18).



**TOWNSHIP OF READINGTON**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Fund Balance, January 1	C	\$ 571,669	\$ 350,516
Increased By:			
Received from Rescue Squad	C-2	22,112	23,410
Cash Receipts	C-2	48,163	
Premium on Sale of Bonds and Notes	C-2	<u>352,604</u>	<u>522,743</u>
		994,548	896,669
Decreased By:			
Amount Anticipated in Current Fund Budget	C-5	<u>483,744</u>	<u>325,000</u>
Fund Balance, December 31	C	<u>\$ 510,804</u>	<u>\$ 571,669</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
SEWER UTILITY OPERATING FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	D-4	\$ 400,113	\$ 341,079
		<u>400,113</u>	<u>341,079</u>
Receivables With Full Reserves Consumer Accounts Receivable	D-5	<u>102,240</u>	<u>104,081</u>
		<u>102,240</u>	<u>104,081</u>
Total Assets		<u>\$ 502,353</u>	<u>\$ 445,160</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	D-3,D-6	\$ 61,096	\$ 29,835
Accounts Payable	D-7	11,588	-
Sewer Overpayments	D-8	2,410	2,148
Due to Current Fund	D-9	<u>-</u>	<u>6,884</u>
		75,094	38,867
Reserve for Receivables	D	102,240	104,081
Fund Balance	D-1	<u>325,019</u>	<u>302,212</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 502,353</u>	<u>\$ 445,160</u>

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
SEWER UTILITY EXPANSION TRUST FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	D-4	\$ 389,957	\$ 376,388
Total Assets		<u>\$ 389,957</u>	<u>\$ 376,388</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Reserve for Sewer Expansion	D-10	\$ 389,957	\$ 376,388
Total Liabilities, Reserves and Fund Balance		<u>\$ 389,957</u>	<u>\$ 376,388</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE**  
**REGULATORY BASIS - SEWER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-2	\$ 57,992	\$ 121,489
Rents	D-2	1,388,663	1,377,110
Miscellaneous Revenue Anticipated	D-2	8,798	8,750
User Fees from Other Contracts	D-2	216,160	216,160
Other Credits to Income:			
Reserve for Hook-Ups Cancelled	D-1	-	3,720
Sewer Overpayments Cancelled	D-8	107	
Unexpended Balance of Appropriation Reserves	D-6	<u>71</u>	<u>11,249</u>
 Total Revenues		 <u>1,671,791</u>	 <u>1,738,478</u>
 <b>EXPENDITURES</b>			
Operating			
Salaries and Wages	D-3	33,000	75,000
Other Expenses	D-3	70,000	50,000
Service Fees	D-3	1,477,380	1,408,877
Deferred Charges and Statutory Expenditures	D-3	10,612	10,612
Surplus (General Budget)	D-1	<u>-</u>	<u>100,000</u>
 Total Expenditures		 <u>1,590,992</u>	 <u>1,644,489</u>
 Statutory Excess to Fund Balance		 80,799	 93,989
 FUND BALANCE, JANUARY 1	D	 <u>302,212</u>	 <u>329,712</u>
		383,011	423,701
Decreased by:			
Utilized by Sewer Operating Budget	D-1	<u>57,992</u>	<u>121,489</u>
 FUND BALANCE, DECEMBER 31	D	 <u>\$ 325,019</u>	 <u>\$ 302,212</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF REVENUES - REGULATORY BASIS  
SEWER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Reference</u>	2016 Anticipated <u>Budget</u>	2016 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	D-1	\$ 57,992	\$ 57,992	
Rents	D-1,D-5	1,325,000	1,388,663	\$ 63,663
User Fees from Other Contracts	D-1,D-4	200,000	216,160	16,160
Miscellaneous Charges	D-1,D-4	<u>8,000</u>	<u>8,798</u>	<u>798</u>
		<u>\$ 1,590,992</u>	<u>\$ 1,671,613</u>	<u>\$ 80,621</u>
	<u>Reference</u>	D-3	D-1	

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
SEWER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016		2016 Expended	
	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<b>OPERATING</b>				
Salaries	\$ 75,000	\$ 33,000	\$ 33,000	-
Other Expenses	70,000	70,000	59,520	\$ 10,480
Service Fees - RLSA	1,235,380	1,235,380	1,235,380	-
Service Fees - RTMUA	200,000	242,000	191,384	50,616
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>				
Statutory Charges:				
Contribution to:				
Public Employee Retirement System	4,875	4,875	4,875	-
Social Security System (O.A.S.I.)	5,737	5,737	5,737	-
	<u>5,737</u>	<u>5,737</u>	<u>5,737</u>	<u>-</u>
Total Water Utility Appropriations	<u>\$ 1,590,992</u>	<u>\$ 1,590,992</u>	<u>\$ 1,529,896</u>	<u>\$ 61,096</u>
	<u>Reference</u>	D-2	D-2	D
			<u>Reference</u>	<u>Paid or Charged</u>
Cash Disbursements		D-4		\$ 1,518,308
Accounts Payable		D-7		<u>11,588</u>
				<u>\$ 1,529,896</u>

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
General Fixed Assets		
Land and Land Improvements	\$ 29,492,565	\$ 29,492,565
Buildings and Building Improvements	7,168,022	7,147,232
Vehicles and Machinery and Equipment	<u>10,533,478</u>	<u>9,453,300</u>
	<u>\$ 47,194,065</u>	<u>\$ 46,093,097</u>
 <b>LIABILITIES</b>		
Investment in General Fixed Assets	<u>\$ 47,194,065</u>	<u>\$ 46,093,097</u>

**NOTES TO FINANCIAL STATEMENTS**



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Township of Readington (the "Township") was incorporated in 1798 and operates under an elected Mayor and Council form of government. The five council members are elected at-large, for staggered terms of three years. The Council elects a Mayor and Deputy Mayor each for a term of one year. The Mayor is the Chief Executive Officer of the Township and as such presides over all public meetings and makes appointments to various boards. The Township Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Township Administrator is appointed by the Township Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Township affairs and for the day to day operations of the Township. The Township Administrator is the Chief Administrative Officer for the Township. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Township is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Township do not include the volunteer fire companies or rescue squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**B. Description of Regulatory Basis of Accounting**

The financial statements of the Township of Readington have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 Township accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Township has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

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

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

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, open space taxes, developer deposits, payroll related deposits and funds deposited with the Township as collateral.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Township.

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

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Township's sanitary sewerage system and the assets and liabilities relative to such activities.

Sewer Utility Expansion Trust Fund – This fund is used to account for the receipt and disbursement of funds for future sewer utility expansion.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Township. The Township's infrastructure is not reported in the account group.

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2015 balances to conform to the December 31, 2016 presentation.

**Financial Statements – Regulatory Basis**

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Township presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Township of Readington follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

**Inventories** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Township also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Township may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**Miscellaneous Revenues/Receivables** - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

**Utility Revenues/Receivables** - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**Grant and Similar Award Revenues/Receivables** - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

**Deferred Charges** - Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

**Appropriation Reserves** - Appropriation reserves are recorded as liabilities and 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.

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

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

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. 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 are recorded as a long-term obligation in the government-wide financial statements.

**Tax Appeals and Other Contingent Losses** - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Township of Readington has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Township as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years.

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**General Fixed Assets (Continued)**

General Fixed Assets purchased after December 31, 2016 will be stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

General Fixed Assets purchased prior to December 31, 2016 are stated as follows:

Land and Buildings Machinery and Equipment	Assessed Value Estimated Historical Cost
---	---

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

- Other Trust Fund (Except Open Space Preservation Trust Fund)
- General Capital Fund
- Sewer Utility Expansion Trust Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016 and 2015 the Township Council increased the original budget by \$265,135 and \$108,067, respectively. The 2016 increase was funded by additional aid allotted to the Township of \$80,135 as well as an emergency resolution for \$185,000. The 2015 increase was funded by additional aid allotted to the Township. In addition, the governing body approved several budget transfers during 2016 and 2015.

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in an unfavorable variance.

<u>2016</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
Legal Services and Costs			
Other Expenses	<u>\$560,000</u>	<u>\$1,060,743</u>	<u>\$500,743</u>

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

The Township considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

**A. Cash Deposits**

The Township's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Township is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Township's deposits were \$12,809,742 and \$12,081,602 and bank and brokerage firm balances of the Township's deposits amounted to \$13,004,305 and \$12,083,954, respectively. The Township's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2016</u>	<u>2015</u>
Insured	\$ 12,713,507	\$ 11,794,330
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Township's name	<u>290,798</u>	<u>289,624</u>
	<u>\$ 13,004,305</u>	<u>\$ 12,083,954</u>

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

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. As of December 31, 2016 and 2015, the Township’s bank balances of \$290,798 and \$289,624 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2016</u>	<u>2015</u>
Uninsured and Collateralized Collateral held by pledging financial institution's trust department not in the Township's name	\$ 290,798	\$ 289,624

**B. Investments**

The Township is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Township or bonds or other obligations of the school districts which are a part of the Township or school districts located within the Township, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Township is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2016 and 2015, the Township had the following investments:

	<u>Fair Value</u> (Unaudited)	
	<u>2016</u>	<u>2015</u>
Investment:		
U.S. Government Securities		
Length of Service Awards Program	\$ 1,533,530	\$ 1,377,626

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Township does not have a policy for custodial risk. As of December 31, 2016 and 2015, \$1,533,530 and \$1,377,626 of the Township’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u> (Unaudited)	
	<u>2016</u>	<u>2015</u>
Uninsured and Uncollateralized	\$ 1,533,530	\$ 1,377,626



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

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Township does not have an investment policy that would further limit its investment choices. As of December 31, 2016 and 2015, the Township’s investment in Lincoln Financial, a subsidiary of Lincoln National Corporation, was rated Baa1 and Baa1 by Moody’s Investors Services, respectively.

Concentration of Credit Risk – The Township places no limit in the amount the Township may invest in any one issuer. More than five (5) percent of the Township’s investments are in Lincoln Financial. These investments are 100% of the Township’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE**

Receivables at December 31, 2016 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<b><u>2016</u></b>			
Property Taxes	\$ 702,441		\$ 702,441
Tax Title Liens	108,472		108,472
Utility Charges and Fees	<u>-</u>	<u>\$ 102,240</u>	<u>102,240</u>
	<u>\$ 810,913</u>	<u>\$ 102,240</u>	<u>\$ 913,153</u>

In 2016, the Township collected \$899,452 and \$104,081 from delinquent taxes and utility charges and fees, which represented 74% and 100% of the delinquent tax and sewer charges receivable at December 31, 2015.

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

**NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE (Continued)**

Receivables at December 31, 2015 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<b><u>2015</u></b>			
Property Taxes	\$ 1,114,876		\$ 1,114,876
Tax Title Liens	105,482		105,482
Utility Charges and Fees	<u>-</u>	<u>\$ 104,081</u>	<u>104,081</u>
	<u>\$ 1,220,358</u>	<u>\$ 104,081</u>	<u>\$ 1,324,439</u>

In 2015, the Township collected \$796,268 and \$109,388 from delinquent taxes and utility charges and fees, which represented 61% and 100% of the delinquent tax and sewer charges receivable at December 31, 2014.

**NOTE 5 DUE TO/FROM OTHER FUNDS**

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund:				
Regular	\$ 7	\$ 21,975	\$ 7,195	\$ 38,101
Grants	21,975		38,101	
General Capital Fund		7		311
Sewer Utility Fund:				
Operating	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,884</u>
Total	<u>\$ 21,982</u>	<u>\$ 21,982</u>	<u>\$ 45,296</u>	<u>\$ 45,296</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or revenue earned by one fund and due to another fund.

The Township expects all interfund balances to be liquidated within one year.

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

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Budget Appropriation</u>	<u>Balance</u>
<u>2016</u>			
Current Fund			
Overexpenditure of Appropriation	\$ 500,743	\$ 500,743	
Emergency Authorization	<u>185,000</u>	<u>185,000</u>	<u>-</u>
	<u>\$ 685,743</u>	<u>\$ 685,743</u>	<u>\$ -</u>

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget (A)</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,910,910	\$ 1,756,000	\$ 2,060,911	\$ 1,055,000
Non-Cash Surplus	<u>743,777</u>	<u>-</u>	<u>49,146</u>	<u>-</u>
	<u>\$ 2,654,687</u>	<u>\$ 1,756,000</u>	<u>\$ 2,110,057</u>	<u>\$ 1,055,000</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 325,019</u>	<u>\$ 81,390</u>	<u>\$ 302,212</u>	<u>\$ 57,992</u>
	<u>\$ 325,019</u>	<u>\$ 81,390</u>	<u>\$ 302,212</u>	<u>\$ 57,992</u>

(A) The above fund balance amounts appropriated represents the fund balance anticipated in the 2017 introduced municipal budget. The 2017 municipal budget has not been legally adopted as of the date of audit.

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

**NOTE 8 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2016 and 2015.

	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<b><u>2016</u></b>				
Land and Land Improvements	\$ 29,492,565	\$ -		\$ 29,492,565
Buildings and Building Improvements	7,147,232	20,790		7,168,022
Machinery and Equipment	<u>9,453,300</u>	<u>1,080,178</u>	\$ -	<u>10,533,478</u>
	<u>\$ 46,093,097</u>	<u>\$ 1,100,968</u>	<u>\$ -</u>	<u>\$ 47,194,065</u>
	Balance December 31, <u>2014</u> (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<b><u>2015</u></b>				
Land and Land Improvements	\$ 29,454,565	\$ 38,000		\$ 29,492,565
Buildings and Building Improvements	7,077,492	69,740		7,147,232
Machinery and Equipment	<u>8,084,452</u>	<u>1,399,199</u>	\$ 30,351	<u>9,453,300</u>
	<u>\$ 44,616,509</u>	<u>\$ 1,506,939</u>	<u>\$ 30,351</u>	<u>\$ 46,093,097</u>

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

**NOTE 9 MUNICIPAL DEBT**

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

The Township's debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
Issued		
General		
Bonds, Notes and Loans	\$ 52,597,387	\$ 53,377,755
Less Funds Temporarily Held to Pay Bonds and Notes	<u>325,011</u>	<u>787,018</u>
Net Debt Issued	52,272,376	52,590,737
Authorized But Not Issued		
General		
Bonds and Notes	<u>2,491,180</u>	<u>3,963,612</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 54,763,556</u>	<u>\$ 56,554,349</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.76% and 1.84% at December 31, 2016 and 2015, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2016</u></b>			
General Debt	\$ 55,088,567	\$ 325,011	\$ 54,763,556
Local School Debt	19,410,000	19,410,000	-
Regional School Debt	<u>3,387,945</u>	<u>3,387,945</u>	<u>-</u>
Total	<u>\$ 77,886,512</u>	<u>\$ 23,122,956</u>	<u>\$ 54,763,556</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2015</u></b>			
General Debt	\$ 57,341,367	\$ 787,018	\$ 56,554,349
Local School Debt	20,070,000	20,070,000	-
Regional School Debt	<u>4,018,845</u>	<u>4,018,845</u>	<u>-</u>
Total	<u>\$ 81,430,212</u>	<u>\$ 24,875,863</u>	<u>\$ 56,554,349</u>

**Statutory Borrowing Power**

The Township's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 109,009,373	\$ 107,592,070
Less: Net Debt	<u>54,763,556</u>	<u>56,554,349</u>
Remaining Borrowing Power	<u>\$ 54,245,817</u>	<u>\$ 51,037,721</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

The Township's long-term debt consisted of the following at December 31:

**General Obligation Bonds**

The Township levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
\$11,000,000, 2011 General Improvement Bonds, due in annual installments of \$265,000 to \$875,000 through February 1, 2031, interest at 4.2% to 5.0 %	\$ 8,735,000	\$ 9,455,000
\$7,945,000, 2014 Refunding Bonds, due in annual installments of \$725,000 to \$960,000 through July 1, 2025, interest at 4.00% to 5.00%	7,615,000	7,945,000
\$9,573,000, 2015 General Improvement Bonds, due in annual installments of \$550,000 to \$1,000,000 through February 1, 2028, interest at 2.00% to 3.00%	<u>9,073,000</u>	<u>9,573,000</u>
Total	<u>\$ 25,423,000</u>	<u>\$ 26,973,000</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**General Intergovernmental Loans Payable**

The Township has entered into various loan agreements with the State of New Jersey for the financing relating to the acquisition of various properties and infrastructure improvements. The Township levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
\$169,347 ,1998 "Rockaway Creek" Loan, due in semi-annual installments of \$5,162 to \$5,213 through 2017, interest at 2.00%	\$ 10,375	\$ 20,545
\$1,000,000 ,2002 "Incentive" Loan, due in semi-annual installments of \$29,984 to \$32,147 through 2020, interest at 2.00%	248,435	307,515
\$2,250,000 ,2001 "Greenway Acquisition" Loan, due in semi-annual installments of \$71,816 to \$73,992 through 2018, interest at 1.00%	291,603	433,109
\$500,000 ,2002 "Summer Road Park" Loan, due in semi-annual installments of \$14,073 to \$15,392 through 2021, interest at 1.00%	147,239	174,969
\$1,271,572 ,2001 "NJ Infrastructure-Dreahook Road " Loan, due in semi-annual installments of \$768 to \$83,120 through 2021, interest at variable rate	392,371	466,671
\$285,829 ,2003 "NJ Infrastructure-2003 " Loan, due in semi-annual installments of \$196 to \$14,599 through 2023, interest at variable rate	103,714	119,984
\$672,696 ,2004 "NJ Infrastructure-2004" Loan, due in semi-annual installments of \$414 to \$44,382 through 2024, interest at variable rate	<u>280,650</u>	<u>318,022</u>
Total	<u>\$ 1,474,387</u>	<u>\$ 1,840,815</u>



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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

The Township's principal and interest for long-term debt issued and outstanding as of December 31, 2016 is as follows:

Calendar Year	General		Loans		Total
	Bonds Principal	Interest	Principal	Interest	
2017	\$ 1,615,000	\$ 974,886	\$ 368,842	\$ 29,453	\$ 2,988,181
2018	1,700,000	920,487	368,798	21,905	3,011,190
2019	1,760,000	863,686	220,609	14,915	2,859,210
2020	1,835,000	802,436	219,647	10,063	2,867,146
2021	1,900,000	742,461	161,770	5,610	2,809,841
2022-2026	10,238,000	2,585,643	134,721	3,800	12,962,164
2027-2031	6,375,000	660,391	-	-	7,035,391
Total	<u>\$ 25,423,000</u>	<u>\$ 7,549,990</u>	<u>\$ 1,474,387</u>	<u>\$ 85,746</u>	<u>\$ 34,533,123</u>

**Changes in Long-Term Municipal Debt**

The Township's long-term capital debt activity for the years ended December 31, 2016 and 2015 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
General Capital Fund					
Bonds Payable	\$ 26,973,000		\$ 1,550,000	\$ 25,423,000	\$ 1,615,000
Intergovernmental Loans Payable	<u>1,840,815</u>	<u>-</u>	<u>366,428</u>	<u>1,474,387</u>	<u>368,842</u>
General Capital Fund Long-Term Liabilities	<u>\$ 28,813,815</u>	<u>\$ -</u>	<u>\$ 1,916,428</u>	<u>\$ 26,897,387</u>	<u>\$ 1,983,842</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt (Continued)**

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<b><u>2015</u></b>					
General Capital Fund					
Bonds Payable	\$ 18,445,000	\$ 9,573,000	\$ 1,045,000	\$ 26,973,000	\$ 1,550,000
Intergovernmental Loans Payable	<u>2,223,656</u>	<u>-</u>	<u>382,841</u>	<u>1,840,815</u>	<u>366,428</u>
General Capital Fund Long-Term Liabilities	<u>\$ 20,668,656</u>	<u>\$ 9,573,000</u>	<u>\$ 1,427,841</u>	<u>\$ 28,813,815</u>	<u>\$ 1,916,428</u>

**B. Short-Term Debt**

The Township's short-term debt activity for the years ended December 31, 2016 and 2015 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2016</u>
<b><u>2016</u></b>							
Acquisition of Property	06-04	1.00%	2/4/2016	\$ 20,611,073		\$ 20,611,073	
		2.00%	2/2/2017		\$20,336,073		\$ 20,336,073
Acquisition of Property	07-37	1.00%	2/4/2016	217,329		217,329	
		2.00%	2/2/2017		217,330		217,330
Acquisition of Property	09-22	1.00%	2/4/2016	1,447,092		1,447,092	
		2.00%	2/2/2017		660,074		660,074
Acquisition of Property	09-23	1.00%	2/4/2016	1,490,364		1,490,364	
		2.00%	2/2/2017		1,490,364		1,490,364

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2016</u>
<b><u>2016</u></b>							
Acquisition of Property	09-29	1.00%	2/4/2016	\$ 243,518		\$ 243,518	
		2.00%	2/2/2017		\$ 236,652		\$ 236,652
COAH Property	09-31	1.00%	2/4/2016	74,275		74,275	
		2.00%	2/2/2017		71,029		71,029
Acquisition of Property	12-29	1.00%	2/4/2016	74,169		74,169	
		2.00%	2/2/2017		72,026		72,026
Acquisition of Property	14-21	1.00%	2/4/2016	406,120		406,120	
		2.00%	2/2/2017	-	406,120	-	406,120
Various Improvements	15-4	2.00%	2/2/2017		2,210,332		2,210,332
				-	-	-	-
				<u>\$ 24,563,940</u>	<u>\$ 25,700,000</u>	<u>\$ 24,563,940</u>	<u>\$ 25,700,000</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2015</u>
<b><u>2015</u></b>							
Acquisition of Property	06-04	1.00%	1/29/2015	\$ 20,877,073		\$ 20,877,073	
		1.00%	8/5/2015		\$ 20,611,073	20,611,073	
		1.00%	2/4/2016		20,611,073		\$ 20,611,073
Acquisition of Property	06-41	1.00%	1/29/2015	539,872		539,872	
		1.00%	8/5/2015		477,873	477,873	
Acquisition of Property	07-37	1.00%	1/29/2015	271,409		271,409	
		1.00%	8/5/2015		217,329	217,329	
		1.00%	2/4/2016		217,329		217,329
Acquisition of Property	07-39	1.00%	1/29/2015	76,593		76,593	
		1.00%	8/5/2015		70,994	70,994	
Acquisition of Property	08-05	1.00%	1/29/2015	1,228,395		1,228,395	
		1.00%	8/5/2015		1,153,395	1,153,395	
Acquisition of Property	08-20	1.00%	1/29/2015	139,161		139,161	
		1.00%	8/5/2015		133,161	133,161	
Acquisition of Property	08-26	1.00%	1/29/2015	763,820		763,820	
		1.00%	8/5/2015		753,820	753,820	
Acquisition of Property	09-15	1.00%	1/29/2015	1,264,250		1,264,250	
		1.00%	8/5/2015		1,188,250	1,188,250	
Acquisition of Property	09-22	1.00%	1/29/2015	1,474,592		1,474,592	
		1.00%	8/5/2015		1,447,092	1,447,092	
		1.00%	2/4/2016		1,447,092		1,447,092

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

<u>Purpose</u>	<u>Ord.</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2014</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2015</u>
Acquisition of Property	09-23	1.00%	1/29/2015	\$ 1,510,366		\$ 1,510,366	
		1.00%	8/5/2015		\$ 1,490,364	1,490,364	
		1.00%	2/4/2016		1,490,364		\$ 1,490,364
Acquisition of Property	09-29	1.00%	1/29/2015	246,718		246,718	
		1.00%	8/5/2015		243,518	243,518	
		1.00%	2/4/2016		243,518		243,518
COAH Property	09-31	1.00%	1/29/2015	75,275		75,275	
		1.00%	8/5/2015		74,275	74,275	
		1.00%	2/4/2016		74,275		74,275
Sewer Improvements	10-09	1.00%	1/29/2015	105,951		105,951	
		1.00%	8/5/2015		104,451	104,451	
Various Road Improvements	10-13	1.00%	1/29/2015	922,500		922,500	
		1.00%	8/5/2015		868,500	868,500	
Various Improvements	11-09	1.00%	1/29/2015	1,255,900		1,255,900	
		1.00%	8/5/2015		1,031,801	1,031,801	
Various Improvements	12-15	1.00%	1/29/2015	1,022,830		1,022,830	
		1.00%	8/5/2015		1,022,830	1,022,830	
Acquisition of Property	12-29	1.00%	1/29/2015	25,295		25,295	
		1.00%	8/5/2015		74,169	74,169	
		1.00%	2/4/2016		74,169		74,169
Various Improvements	14-11	1.00%	8/5/2015		2,405,685	2,405,685	
Various Sewer Improvements	14-19	1.00%	8/5/2015		400,300	400,300	
Acquisition of Property	14-21	1.00%	8/5/2015		406,120	406,120	
		1.00%	2/4/2016	-	406,120	-	406,120
				<u>\$ 31,800,000</u>	<u>\$ 58,738,940</u>	<u>\$ 65,975,000</u>	<u>\$ 24,563,940</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, the Township had the following commitments with respect to unfinished capital projects:

<u>2016</u>	<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
	Road Resurfacing Project	62,400	2017
<u>2015</u>			
	Acquisition of Single Axle Dump Truck	\$171,713	2016
	KME Custom Heavy Duty Rescue Vehicle	536,589	2016
	Fire Apparatus Equipment	51,747	2016

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**Compensated Absences**

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$438,240 and \$394,239 at December 31, 2016 and 2015, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**Changes in Other Long-Term Liabilities**

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the footnotes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

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

**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**Changes in Other Long-Term Liabilities (Continued)**

The Township's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
Compensated Absences	\$ 394,239	\$ 44,001		\$ 438,240	
Net Pension Liability - PERS	8,724,234	1,997,195	\$ 395,472	10,325,957	
Net Pension Liability - PFRS	<u>7,871,220</u>	<u>3,597,685</u>	<u>533,649</u>	<u>10,935,256</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 16,989,693</u>	 <u>\$ 5,638,881</u>	 <u>\$ 929,121</u>	 <u>\$ 21,699,453</u>	 <u>\$ -</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<b><u>2015</u></b>					
Compensated Absences	\$ 371,639	\$ 22,600		\$ 394,239	
Net Pension Liability - PERS	8,414,448	693,925	\$ 384,139	8,724,234	
Net Pension Liability - PFRS	<u>8,293,649</u>	<u>58,182</u>	<u>480,611</u>	<u>7,871,220</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 17,079,736</u>	 <u>\$ 774,707</u>	 <u>\$ 864,750</u>	 <u>\$ 16,989,693</u>	 <u>\$ -</u>

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Township employees who are eligible for pension coverage.

**Police and Firemen's Retirement System (PFRS)** – established in July 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 December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees 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 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

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

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Township employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.



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

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, which was rolled forward to June 30, 2015, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS is 52.0 percent with an unfunded actuarial accrued liability of \$68.6 billion. The CPFPPF system is 23.8 percent funded with an unfunded actuarial accrued liability of \$ 7.8 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 47.9 percent and \$22.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 56.3 percent and \$18.1 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2015 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (3.80%) and (b) changes to projected salary increases 2.15-5.40 percent based on age for PERS and 2.60-10.48 percent based on age for PFRS.

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

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS 5.50% for DCRP and 7.06 for fiscal year 2016 for PERS of employee's annual compensation for fiscal year 2016.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2016 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2016, 2015 and 2014, the Township, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2016	\$ 400,347	\$ 533,649	\$ 2,177
2015	395,787	480,611	1,678
2014	336,610	455,154	2,977

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

Under the regulatory basis of accounting, the Township is permitted and has elected to utilize the measurement date of June 30, 2015 and 2014 for the amounts reported at December 31, 2016 and 2015, respectively for the net pension liability and related information. The respective pension information reported is eighteen months prior to the Township's balance sheet dates. GAAP requires the measurement date of the total pension liability and related information to be no earlier than the end of the employer's prior fiscal year.

**Public Employees Retirement System (PERS)**

At December 31, 2016 and 2015, the Township has a reported liability of \$10,325,957 and \$8,724,234, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Township's proportionate share of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Township's proportionate share was .045999 percent, which was a decrease of .000598 percent from its proportionate share measured as of June 30, 2014 of .046597 percent.

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the years ended December 31, 2016 and 2015, the pension system has determined the Township's pension expense to be \$742,613 and \$526,720, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Township's financial statements of \$395,787 and \$336,610, respectively. The Township has reported at December 31, 2016 and 2015, the Township's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Township's financial statements are from the following sources:

	2016		2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 246,341		\$ 274,337	
Changes of Assumptions	1,108,925		-	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 166,022		\$ 519,917
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>338,630</u>	<u>94,917</u>	<u>418,897</u>	<u>-</u>
Total	<u>\$ 1,693,896</u>	<u>\$ 260,939</u>	<u>\$ 693,234</u>	<u>\$ 519,917</u>

At December 31, 2015 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 269,335
2017	269,335
2018	269,335
2019	399,314
2020	225,638
Thereafter	<u>-</u>
	<u>\$ 1,432,957</u>

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	Based on Age	Based on Age
Thereafter	3.15-5.40%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

*Actuarial Assumptions*

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit Core Bonds	10.00%	1.79%	1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2016	4.90%
2015	5.39%

**TOWNSHIP OF READINGTON  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

**Discount Rate (Continued)**

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

\* The municipal bond return rate used is 3.80 and 4.29% as of June 30, 2015 and 2014, respectively. The source is 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.

**Sensitivity of Net Pension Liability**

The following presents the Township's proportionate share of the PERS net pension liability as of December 31, 2016 calculated using the discount rate of 4.90%, as well as what the Township's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
Township's Proportionate Share of the PERS Net Pension Liability	<u>\$ 12,833,901</u>	<u>\$ 10,325,957</u>	<u>\$ 8,223,315</u>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2016. A sensitivity analysis specific to the Township's net pension liability was not provided by the pension system.

**Pension Plan Fiduciary Net Position**

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

At December 31, 2016 and 2015, the Township has a reported liability of \$10,935,256 and \$7,871,220, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Township's proportionate share of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Township's proportionate share was .065651 percent, which was an increase of .003078 percent from its proportionate share measured as of June 30, 2014 of .062573 percent.

The Township has reported for the years ended December 31, 2016 and 2015, the pension system has determined the Township pension expense to be \$1,022,485 and \$554,005, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Township's financial statements of \$480,611 and \$455,154, respectively. The Township has reported at December 31, 2016 and 2015, the Township's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Township's financial statements are from the following sources:

	2016		2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 94,320		
Changes of Assumptions	\$ 2,018,920		\$ 295,512	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		190,319		\$ 803,232
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>354,471</u>	<u>-</u>	<u>20,940</u>	<u>-</u>
Total	<u>\$ 2,373,391</u>	<u>\$ 284,639</u>	<u>\$ 316,452</u>	<u>\$ 803,232</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 410,188
2017	410,188
2018	410,188
2019	610,996
2020	247,192
Thereafter	<u>-</u>
	<u>\$ 2,088,752</u>

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Police and Firemen’s Retirement System (PFRS) (Continued)**

*Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.60-9.48%	3.95-8.62%
	Based on Age	Based on Age
Thereafter	3.60-10.48%	4.95-9.62%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.



**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

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

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2016	5.79%
2015	6.32%

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen’s Retirement System (PFRS) (Continued)**

*Discount Rate (Continued)*

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2045
Municipal Bond Rate *	From July 1, 2045 and Thereafter

\* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. The source is 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.

***Sensitivity of Net Pension Liability***

The following presents the Township’s proportionate share of the PFRS net pension liability as of December 31, 2016 calculated using the discount rate of 5.79% as well as what the Township’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	<b>1% Decrease <u>(4.79%)</u></b>	<b>Current Discount Rate <u>(5.79%)</u></b>	<b>1% Increase <u>(6.79%)</u></b>
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,416,139</u>	<u>\$ 10,935,256</u>	<u>\$ 8,096,907</u>

The sensitivity analysis was based on the proportionate share of the Township’s net pension liability at December 31, 2016. A sensitivity analysis specific to the Township’s net pension liability was not provided by the pension system.

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

***Special Funding Situation – PFRS***

Under N.J.S.A. 43:16A-15, the Township is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions 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 Township by the State 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. Accordingly, the Township's proportionate share percentage determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$958,985 and \$847,598, respectively. For the years ended December 31, 2016 and 2015, the pension system has determined the State's proportionate share of the pension expense attributable to the Township for the PFRS special funding situation is \$107,395 and \$119,620, respectively, which is more than the actual contributions the State made on behalf of the Township of \$49,920 and \$35,195, respectively. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

***Pension Plan Fiduciary Net Position***

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Township. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2016.

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

**State Health Benefits Program Funds (HBPF) – Local Government** (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$67.5 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2015 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**Post-Retirement Medical Benefits Contribution**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$181.9 million for 10,725 eligible retired members for Fiscal Year 2016. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$48.3 million in Fiscal Year 2016 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Township's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2016, 2015 and 2014 were \$653,499, \$574,406, and \$518,866, respectively, which equaled the required contributions for each year.

**NOTE 14 RISK MANAGEMENT**

The Township is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Township has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Township should they occur.

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

**NOTE 14 RISK MANAGEMENT (Continued)**

The Township of Readington is a member of the Public Alliance Insurance Coverage (PAIC) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The PAIC and MEL coverage amounts are on file with the Township.

The relationship between the Township and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Township is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Township 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 Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended December 31</u>	<u>Employer/Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 179	\$ 14,979	\$ 46,030
2015	7,171	1,997	60,830
2014	732	10,673	55,488

**NOTE 15 CONTINGENT LIABILITIES**

The Township is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Township's Attorney, the potential claims against the Township not covered by insurance policies would not materially affect the financial condition of the Township.

**Pending Litigation** –

1. *Township of Readington v Solberg Aviation, et al*; Superior Court of New Jersey, Law Division, Docket No. HNT-L-468-06; Superior Court of New Jersey, Appellate Division, Docket No. A3964-15T4. This case involves a condemnation claim against Solberg Aviation Company seeking the acquisition of vacant and airport land. The matter was tried and there was a verdict for Solberg Aviation Company, including an award of attorney's fees. The award of attorney's fees was satisfied out of a fund in Court created by the Township in order to satisfy any condemnation award. The balance of the fund in Court, minus the attorney fee payment, remains in an escrow account maintained by the Superior Court of New Jersey. The Township has appealed that decision. It is anticipated that there will not be a decision regarding the appeal for six months to a year. If Solberg Aviation Company prevails and condemnation is not permitted, the Township may have additional exposure for attorney fees incurred by the attorneys for Solberg Aviation Company.

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

**NOTE 15 CONTINGENT LIABILITIES (Continued)**

**Pending Litigation (Continued) –**

2. *Solberg Aviation Company v Township of Readington*, Superior Court of New Jersey, Law Division, Docket No.HNT-L-435-07; Superior Court of New Jersey, Appellate Division, Docket No. A000106-16T4. This case involves a challenge by Solberg Aviation Company to an ordinance adopted by the Township establishing zoning for the airport and other land owned by Solberg Aviation Company. Summary judgement was awarded to Solberg Aviation Company. Subsequently, an award of attorney's fees in favor of Solberg Aviation Company was entered. Solberg Aviation Company also has a claim for alleged civil rights violations against the Township which has not been resolved. It is not clear at the present whether this particular claim will be covered by insurance. However, any additional attorney fee claims are not anticipated to be large due to the award that has been already entered. The attorney fee award that has already been entered is in the amount of \$379,766.97. The Township has not yet paid this amount and is seeking to stay payment until after it appeals the judgement.

3. 388 Rt. 22 Readington Realty Holdings v. Township of Readington, et al. – Docket No. HNT-L-751-1. This case involves the Township's denial of a request for the allocation of sewerage capacity to Plaintiff for its proposed development project. The Township asserted that it had insufficient capacity to allocate to the Plaintiff because of long-standing contracts made with other developers, as well as its affordable housing needs. Plaintiff's complaint included a claim for a civil rights violation and requested damages and attorneys fees in undisclosed amounts. The plaintiff claimed the Township's sewer ordinance was invalid and that the Township wrongfully denied it sewer capacity. In 2015, the N.J. Supreme Court ruled that the Township's sewer ordinance was valid, but that it was applied arbitrarily and unreasonable as to Plaintiff's request. The case was remanded back to Superior Court with an order that the Township review its existing sewer agreements according to criteria articulated by the Supreme Court to determine if any sewerage capacity could be recalled from those who held it in order to be reallocated for use by others, including the plaintiff. The Supreme Court stated that any person to whom capacity was reallocated must pay for it. The Supreme Court decision led to two years of motions and litigation instituted by other parties from whom capacity the Township had recalled, pursuant to Court order. The Superior Court on February 2, 2017 decided in favor of Plaintiff's civil rights claims. As a result, Plaintiff was determined to be entitled to attorneys fees. At this time, Plaintiff is also claiming damages in an undisclosed amount and the amount of attorneys fees being sought is currently unknown. The Township is evaluating whether or not it will appeal the civil rights decision above; if so, it will defend the matter aggressively.

At this time, the Township is not able to evaluate the outcome or estimate the potential loss until further discovery is done and information is provided from all parties involved. It is probable that the damages may be material.

**Pending Tax Appeals** - Certain tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016 and 2015. Amounts claimed have not yet been determined. The Township is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Township does not recognize a liability, if any, until these cases have been adjudicated. The Township expects such amounts, if any, could be immaterial. As of December 31, 2016 and 2015, the Township reserved \$308,002 and \$308,002, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Federal and State Awards** - The Township participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Township may be required to reimburse the grantor government. As of December 31, 2016 and 2015, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Township believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Township.

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

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The Township is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016 and 2015, the Township has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 17 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED**

The Township of Readington Length of Service Awards Program (the Plan) was created by a Township ordinance adopted on May 3, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Awards Program as enacted into federal law in 1997. The voters of the Township of Readington approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the volunteer fire companies and the rescue squad, come from contributions made solely by the Township on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Township of Readington has contributed \$800 and \$800 for 2016 and 2015, respectively, for each eligible volunteer member into the Plan. The total Township contributions were \$69,600 and \$65,600 for 2016 and 2015, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Township has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Township's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**Vesting and Benefits**

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.



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

**NOTE 17 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED (Continued)**

**Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Township perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Township's Trust Fund.

**NOTE 18 SUBSEQUENT EVENTS**

**Bond Anticipation Notes**

On February 1, 2017 the Township issued bond anticipation notes in the amounts of \$14,184,000 and \$12,778,000 to temporarily finance expenditures related to various capital projects. The terms and conditions of the bond anticipation notes are as follows:

- Series 2017A in the amount of \$14,184,000 have been awarded to J.P. Morgan Securities, LLC at an interest rate of 1.25%. These notes are dated February 1, 2017 and will mature on April 28, 2017.
- Series 2017B in the amount of \$12,778,000 have been awarded to J.P Morgan Securities, LLC at an interest rate of 2.25%. These notes are dated February 1, 2017 and will mature on February 1, 2018.

**Debt Authorized**

On February 21, 2017 the Township adopted a resolution authorizing the issuance of \$14,184,000 General Improvement Bonds, Series 2017.

**NOTE 19 RESTATEMENT**

The General Fixed Assets Account Group has been restated based on an independent appraisal for December 31, 2016. The total of the General Fixed Assets Account Group at December 31, 2014 has been restated from \$66,384,438 to \$44,616,509.

**CURRENT FUND**

**TOWNSHIP OF READINGTON  
STATEMENT OF CASH - COLLECTOR - TREASURER**

Balance, January 1, 2016		\$ 7,505,946
Increased by:		
Taxes Receivable	\$ 72,126,147	
State of NJ Senior Citizens' and Veterans' Deductions	128,750	
Miscellaneous Revenues Not Anticipated	81,556	
Revenue Accounts Receivable	2,610,544	
Petty Cash Advanced	200	
Tax Overpayments	483,704	
Prepaid Taxes	412,759	
Federal and State Grants Received in Current Fund	82,535	
Reserve for Sale of Assets	11,873	
Reserve for Tax Sale Premiums	244,400	
Reserve for Outside Tax Liens	86,808	
Receipts from Animal Control Fund	38	
Receipts from Other Trust Fund	3,763	
Receipts from General Capital Fund	488,872	
Receipts from Sewer Operating Fund	6,884	
Receipts from Sewer Expansion Trust Fund	130,000	
Budget Refunds	813,982	
Miscellaneous Fees Payable	53,067	
		<u>77,765,882</u>
		85,271,828
Decreased by Disbursements:		
2016 Budget Appropriations	18,016,634	
2015 Appropriation Reserves	260,458	
Tax Overpayments	37,123	
County Taxes	11,455,345	
Local District School Taxes	28,820,286	
Regional High School Taxes	18,154,962	
Municipal Open Space Taxes Payable	521,470	
Appropriated Grant Reserves Paid by Current Fund	94,200	
Reserve for Encumbrances - Grants Fund Paid by Current Fund	4,461	
Petty Cash Returned	200	
Reserve for Tax Sale Premiums	81,900	
Reserve for Outside Tax Liens	86,808	
Miscellaneous Fees Payable	49,316	
Refund of Prior Year Revenue	6,677	
		<u>77,589,840</u>
Balance, December 31, 2016		<u>\$ 7,681,988</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, <u>2016</u>	Balance, December 31, <u>2016</u>
Tax Collector	\$ 150	\$ 150
Municipal Court	200	200
Police Department	100	100
Township Clerk/Animal Control	100	100
Department of Public Works	<u>100</u>	<u>100</u>
	<u>\$ 650</u>	<u>\$ 650</u>

**STATEMENT OF PETTY CASH**

<u>Office</u>	Advanced in <u>2016</u>	Returned in <u>2016</u>
Township Finance Department	<u>\$ 200</u>	<u>\$ 200</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE FROM STATE OF NEW JERSEY  
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2016		\$ 49,146
Increased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billings- 2016	\$ 129,250	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - 2016	<u>11,433</u>	
		<u>140,683</u>
		189,829
Decreased by:		
Received in Cash from State	128,750	
Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector - 2016	1,545	
Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector - 2015.	<u>1,500</u>	
		<u>131,795</u>
Balance, December 31, 2016		<u>\$ 58,034</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance,	Senior Citizens and Veterans Deductions Disallowed	Collected in Cash		Tax	Senior	Transferred	Balance,		
	January 1, 2016		2016 Levy	2015	2016	Overpayments Applied	Citizens and Veterans' Deductions Allowed	to Tax Title Liens	Cancelled	December 31, 2016
2007	\$ 48,251			\$ 26,767				\$ 21,484		
2008	56,606			27,101				29,505		
2009	57,707			27,627				30,080		
2010	58,470			27,993				30,477		
2011	54,094			26,785				27,309		
2012	53,993			26,735				27,258		
2013	37,190			18,415				18,775		
2014	37,082			18,362				18,720		
2015	711,483	-	-	699,667	-	-	-	11,816	-	
	1,114,876	-	-	899,452	-	-	-	215,424	-	
2016	-	\$73,004,964	1,545	\$ 401,167	71,226,695	\$ 442,785	\$ 140,683	\$ 2,990	\$ 89,748	\$ 702,441
	<u>\$ 1,114,876</u>	<u>\$73,004,964</u>	<u>\$ 1,545</u>	<u>\$ 401,167</u>	<u>\$ 72,126,147</u>	<u>\$ 442,785</u>	<u>\$ 140,683</u>	<u>\$ 2,990</u>	<u>\$ 305,172</u>	<u>\$ 702,441</u>

Analysis of 2016 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 72,613,326
Added Taxes (54:4-63.1 et seq.)	<u>391,638</u>
	<u>\$ 73,004,964</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 28,820,286
Regional High School Tax (Abstract)	18,154,962
Municipal Open Space Taxes	521,470
County Taxes	\$ 9,521,957
Due County for Added Taxes (54:4-63.1 et seq)	61,366
County Library Taxes	953,253
County Open Space Taxes	<u>927,170</u>
	11,463,746
Local Tax for Municipal Purposes	13,692,799
Add Additional Tax Levied	<u>351,701</u>
	<u>14,044,500</u>
	<u>\$ 73,004,964</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2016	\$ 105,482
Increased by:	
Transferred from Current Year Taxes	2,990
Balance, December 31, 2016	\$ 108,472

**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2016</u>	Accrued in <u>2016</u>	Collected in <u>2016</u>	Balance, December 31, <u>2016</u>
Township Clerk				
Licenses				
Alcoholic Beverages		\$ 20,381	\$ 20,381	
Fees and Permits		25,295	25,295	
Board of Health/Registrar of Vital Statistics				
Fees and Permits		45,610	45,610	
Department of Public Works				
Fees and Permits		13,295	13,295	
Fire Prevention				
Fees and Permits		63,527	63,527	
Police				
Fees and Permits		4,257	4,257	
Planning & Zoning Boards				
Fees and Permits		21,132	21,132	
Municipal Court				
Fines and Costs	\$ 6,383	128,785	126,796	\$ 8,372
Interest and Costs on Taxes		189,683	189,683	
Interest on Investments and Deposits		26,096	26,096	
Energy Receipts Taxes		1,421,711	1,421,711	
Garden State Trust Fund		3,962	3,962	
Uniform Construction Code Fees		581,237	581,237	
Housing Trust Fund Balance		40,000	40,000	
Uniform Safety Act	-	27,562	27,562	-
	\$ 6,383	\$ 2,612,533	\$ 2,610,544	\$ 8,372

TOWNSHIP OF READINGTON  
STATEMENT OF 2015 APPROPRIATION RESERVES

	Balance, January 1, <u>2016</u>	Encumbrances <u>Restored</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration					
Salaries and Wages	\$ 101		\$ 101		\$ 101
Other Expenses					
Elections	2,497		2,497		2,497
Miscellaneous Other Expenses	14,287	\$ 2,700	16,987	\$ 9,110	7,877
Financial Administration					
Salaries and Wages	11,166		11,166		11,166
Other Expenses	2,222		2,222	1,899	323
Audit Services	-	851	851	851	-
Revenue Administration					
Salaries and Wages	806		806		806
Other Expenses	2,903		2,903	425	2,478
Assessment of Taxes					
Salaries and Wages	37		37		37
Other Expenses					
Revision of Tax Map	6,501		6,501		6,501
Miscellaneous Other Expenses	1,456		1,456		1,456
Legal Services and Costs					
Other Expenses	9,289	624	9,913	9,913	-
Engineering Services and Costs -					
Other Expenses	5,752		5,752	5,752	-
Museum Committee					
Salaries and Wages	4,920		4,920		4,920
Other Expenses	5,336	1,336	6,672	1,145	5,527
Historical Preservation					
Other Expenses	2,471		2,471		2,471
Planning Board					
Other Expenses	2,897	85	2,982	94	2,888
Board of Adjustment					
Other Expenses	2,504		2,504	-	2,504
Environmental Health Commission					
Other Expenses			-		-
Consultants	4,937	2,819	7,756	4,194	3,562
Miscellaneous Other Expenses	345	2,385	2,730	510	2,220
Police					
Salaries and Wages	45,255		45,255	-	45,255
Other Expenses	13,081	36,056	49,137	43,976	5,161
Patrol of School Crossing					
Salaries and Wages	601		601		601
Fire					
Equipment for Volunteer Fire Co.	10,631	12,882	23,513	23,155	358
Training Fire Department Personnel	4,129	5,671	9,800	9,727	73
Supplemental Fire Service Program	3,106	1,021	4,127	3,288	839
First Aid Equipment	77	4,831	4,908	4,831	77
Emergency Management					
Salaries and Wages	33		33		33
Other Expenses	1,638	51	1,689	395	1,294
Uniform Fire Safety					
Salaries and Wages			-		-
Other Expenses	1,707		1,707	544	1,163
Road, Repairs and Maintenance					
Salaries and Wages	94,546		94,546		94,546
Other Expenses	31,557	19,327	50,884	36,251	14,633
Snow Removal					
Other Expenses	208	250	458	250	208
Buildings and Grounds					
Salaries and Wages	1,673		1,673		1,673
Other Expenses	21,901	11,484	33,385	12,712	20,673
Waste Collection/Recycling					
Salaries and Wages					
Other Expenses	33,674	1,982	35,656	26,195	9,461
Board of Health					
Salaries and Wages	1,080		1,080		1,080
Other Expenses	178		178	178	-



**TOWNSHIP OF READINGTON  
STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, January 1, <u>2016</u>	Encumbrances <u>Restored</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Administration of Public Assistance					
Salaries and Wages	\$ 180		\$ 180		\$ 180
Other Expenses	1,717	\$ 355	2,072	\$ 355	1,717
Animal Control Services					
Other Expenses	15,000		15,000		15,000
Aid to Hunterdon County Charities					
Other Expenses			-		-
Recreation					
Salaries and Wages	806		806		806
Other Expenses	7,040	727	7,767	6,727	1,040
Senior Citizens Transportation					
Other Expenses	6,239		6,239		6,239
Expense in Participation of Free County Library					
Salaries and Wages	12,215		12,215		12,215
Other Expenses	5,173	471	5,644	796	4,848
Celebration of Public Events					
Other Expenses	1,537	831	2,368	1,171	1,197
Construction Code Official					
Salaries and Wages	8,246		8,246	1,125	7,121
Other Expenses	4,807	26,265	31,072	31,072	-
Utilities					
Fire Hydrant Services	11,533		11,533	7,383	4,150
Electricity	26,426		26,426	5,577	20,849
Street Lighting	13,034		13,034	-	13,034
Telephone	9,225	389	9,614	7,572	2,042
Gasoline	61,575	9,930	71,505	14,400	57,105
Public Defender					
Other Expenses	928		928	928	-
Cost of PEOSHA Requirement	1,404	12,243	13,647	13,555	92
Municipal Prosecutor's Office					
Other Expenses	6,716		6,716	2,205	4,511
Municipal Court					
Salaries and Wages	4,983		4,983		4,983
Other Expenses	1,675	1,437	3,112	3,112	-
Social Security System	48,670		48,670		48,670
Unemployment	2,323		2,323		2,323
LOSAP	7,800		7,800		7,800
Capital Improvements					
Road Repairs and Improvements	99		99		99
Insurance					
General Liability	22,458		22,458	-	22,458
Employee Group Health	48,383		48,383	-	48,383
Contingent	1,680	-	1,680	-	1,680
	<u>\$ 677,374</u>	<u>\$ 157,003</u>	<u>\$ 834,377</u>	<u>\$ 291,373</u>	<u>\$ 543,004</u>

Appropriation Reserves \$ 677,374  
 Transferred from Reserve for Encumbrances 157,003  
\$ 834,377

Cash Disbursements \$ 260,458  
 Reserve for Encumbrances 30,915  
\$ 291,373

**TOWNSHIP OF READINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2016		\$ 157,003
Increased by:		
Charges to 2015 Appropriation Reserves	\$ 30,915	
Charges to 2016 Budget Appropriations	<u>378,736</u>	
		<u>409,651</u>
		566,654
Decreased by:		
Restored to Appropriation Reserves		<u>157,003</u>
Balance, December 31, 2016		<u>\$ 409,651</u>

**STATEMENT OF PREPAID TAXES**

Balance, January 1, 2016		\$ 401,167
Increased by:		
Collection - 2017 Taxes		<u>412,759</u>
		813,926
Decreased by:		
Application to 2016 Taxes Receivable		<u>401,167</u>
Balance, December 31, 2016		<u>\$ 412,759</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2016		\$ 174,567
Increased by:		
Cash Receipts		483,704
		658,271
Decreased by:		
Applied to Current Year Taxes	\$ 442,785	
Cash Disbursements	37,123	
		479,908
Balance, December 31, 2016		\$ 178,363

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2016		\$ 53,005
Increased by:		
2016 Tax Levy	\$ 9,521,957	
Library Taxes	953,253	
Open Space Taxes	927,130	
2016 Added Taxes (54:4-63.1 et seq.)	61,366	
		11,463,706
		11,516,711
Decreased by:		
Payments		11,455,345
Balance, December 31, 2016		\$ 61,366

**STATEMENT OF SCHOOL TAXES PAYABLE**

Increased by:		
Levy - Calendar Year		\$ 28,820,286
Decreased by:		
Payments		\$ 28,820,286

**TOWNSHIP OF READINGTON  
STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Balance, January 1, 2016	\$	3,052,130
Increased by:		
Levy - Calendar Year		<u>18,154,962</u>
		21,207,092
Decreased by:		
Payments		<u>18,154,962</u>
Balance, December 31, 2016	\$	<u>3,052,130</u>

**STATEMENT OF MISCELLANEOUS FEES PAYABLE**

	Balance, January 1, <u>2016</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2016</u>
Due State - Marriage License Fees	\$ 400	\$ 1,350	\$ 1,275	\$ 475
Due State - DCA Training Fees	6,985	35,767	32,091	10,661
Due County - Food Inspections	<u>3,825</u>	<u>15,950</u>	<u>15,950</u>	<u>3,825</u>
	<u>\$ 11,210</u>	<u>\$ 53,067</u>	<u>\$ 49,316</u>	<u>\$ 14,961</u>

**STATEMENT OF RESERVE FOR MASTER PLAN**

Balance, January 1, 2016	\$	<u>76,514</u>
Balance, December 31, 2016	\$	<u>76,514</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DEFERRED CHARGES  
OVEREXPENDITURE OF APPROPRIATIONS**

Increased by:	
Incurred in 2016	<u>\$ 500,743</u>
Balance, December 31, 2016	<u>\$ 500,743</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF FEDERAL AND STATE GRANTS RECEIVABLE  
GRANTS FUND**

	Balance, January 1, <u>2016</u>	<u>Accrued</u>	Decreased by		Balance, December 31, <u>2016</u>
			<u>Cancelled</u>	Cash Receipts Collected by <u>Current Fund</u>	
Clean Communities Program		\$ 63,116		\$ 63,116	
Body Armor Grant		2,345		2,345	
Click it or Ticket		4,500		4,500	
Trails Grant NJDEP		4,600		4,600	
Drive Sober	\$ 5,000		\$ 2,600	2,400	
Alcohol Education & Rehabilitation		4,774		4,774	
Sustainable Jersey	5,000				\$ 5,000
NJ Environmental Commission - ANJEC	-	800	-	800	-
	<u>\$ 10,000</u>	<u>\$ 80,135</u>	<u>\$ 2,600</u>	<u>\$ 82,535</u>	<u>\$ 5,000</u>
Appropriated Grant Reserves			<u>\$ 2,600</u>		

**TOWNSHIP OF READINGTON**  
**STATEMENT OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**  
**GRANTS FUND**

	Balance, January 1, <u>2016</u>	Transferred from 2016 <u>Appropriations</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
Clean Communities Program	-	\$ 63,116	\$ 63,116	-
Drunk Driving Enforcement Fund	\$ 19,935		8,647	\$ 11,288
Body Armor Grant	394	2,345	395	2,344
Click it or Ticket	-	4,500	4,500	-
Trails Grant NJDEP	-	4,600	3,270	1,330
Drive Sober	5,000		5,000	-
Alcohol Education & Rehabilitation	\$ 7,731	4,774	2,281	10,224
Sustainable Jersey	6,580		5,949	631
NJ Environmental Commission - ANJEC		800		800
NJ Historic Commission - Museum	4,000	-	4,000	-
	<u>\$ 43,640</u>	<u>\$ 80,135</u>	<u>\$ 97,158</u>	<u>\$ 26,617</u>
Cash Disbursements Paid by Current Fund			\$ 94,200	
			Cancelled	2,600
			Reserve for Encumbrances	<u>358</u>
			<u>\$ 97,158</u>	

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE FROM CURRENT FUND  
GRANTS FUND**

Balance , January 1, 2016		\$ 38,101
Increased by:		
Grant Receipts Collected by Current Fund		<u>82,535</u>
		120,636
Decreased by:		
Grant Disbursements Paid by Current Fund		
Appropriated Grant Reserves	\$ 94,200	
Grant Encumbrances	<u>4,461</u>	
		<u>98,661</u>
Balance , December 31, 2016		<u>\$ 21,975</u>



**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR SALE OF ASSETS**

Balance, January 1, 2016	\$ 30,912
Increased by:	
Cash Receipts	<u>11,873</u>
	42,785
Decreased by:	
Utilized as Revenue in 2016 Budget	<u>30,912</u>
Balance, December 31, 2016	<u>\$ 11,873</u>

**STATEMENT OF RESERVE FOR TAX SALE PREMIUMS**

Balance, January 1, 2016	\$ 465,700
Increased by:	
Cash Receipts	<u>244,400</u>
	710,100
Decreased by:	
Cash Disbursements	<u>81,900</u>
Balance, December 31, 2016	<u>\$ 628,200</u>

**STATEMENT OF RESERVE FOR OUTSIDE TAX LIENS**

Increased by:	
Cash Receipts	<u>\$ 86,808</u>
Decreased by:	
Cash Disbursements	<u>\$ 86,808</u>

**STATEMENT OF RESERVE FOR TAX APPEALS PENDING**

Balance, January 1, 2016	<u>\$ 308,002</u>
Balance, December 31, 2016	<u>\$ 308,002</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DEFERRED CHARGE - EMERGENCY APPROPRIATION**

Increased by:		
Authorized in 2016		\$ <u>185,000</u>
Balance, December 31, 2016		\$ <u>185,000</u>

EXHIBIT A-29

**STATEMENT OF ENCUMBRANCES PAYABLE  
GRANTS FUND**

Balance, January 1, 2016		\$ 4,461
Increased by:		
Charges to Appropriated Grant Reserves		<u>358</u>
		4,819
Decreased by:		
Cash Disbursements		<u>4,461</u>
Balance, December 31, 2016		\$ <u>358</u>

EXHIBIT A-30

**STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE**

Increased by:		
2016 Tax Levy	\$ 518,667	
2016 Added Taxes (54:4-63.1 et seq.)	<u>2,803</u>	
		\$ <u>521,470</u>
Decreased by:		
Payments		<u>\$ 521,470</u>

**TRUST FUND**

**TOWNSHIP OF READINGTON  
SCHEDULE OF TRUST CASH - TREASURER**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2016	\$ 9,448	\$ 1,685,377
Increased by Receipts:		
Miscellaneous Reserves		\$ 6,289,627
Interest Earned	\$ 38	3,763
Prepaid Dog Licenses	2,622	
Due to State of New Jersey	2,582	
Dog License Fees/Cat/Late Fees	<u>24,947</u>	<u>-</u>
	<u>30,189</u>	<u>6,293,390</u>
	39,637	7,978,767
Decreased by Disbursements:		
Due to State of New Jersey	2,954	
Expenditures Under (RS 4:19-15.11)	33,393	
Payments to Current Fund	38	3,763
Miscellaneous Reserves	<u>-</u>	<u>5,863,637</u>
	<u>36,385</u>	<u>5,867,400</u>
Balance, December 31, 2016	<u>\$ 3,252</u>	<u>\$ 2,111,367</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES  
ANIMAL CONTROL FUND**

Balance, January 1, 2016		\$ 2,290
Increased by:		
Dog License Fees Collected in 2016	\$ 23,032	
Prepaid Licenses Applied	6,508	
Late Fees	<u>1,915</u>	
		<u>31,455</u>
		33,745
Decreased by:		
Cash Disbursements		<u>33,393</u>
Balance, December 31, 2016		<u>\$ 352</u>

**STATEMENT OF PREPAID LICENSES  
ANIMAL CONTROL FUND**

Balance, January 1, 2016		\$ 6,508
Increased by:		
2017 License Fees Collected		<u>2,622</u>
		9,130
Decreased by:		
Applied in 2016		<u>6,508</u>
Balance, December 31, 2016		<u>\$ 2,622</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HEALTH  
ANIMAL CONTROL FUND**

Balance, January 1, 2016		\$ 650
Increased by:		
State Fees Collected in 2016		<u>2,582</u>
		3,232
Decreased by:		
Payments to State of New Jersey		<u>2,954</u>
Balance, December 31, 20156		<u>\$ 278</u>

TOWNSHIP OF READINGTON  
STATEMENT OF DUE TO CURRENT FUND  
ANIMAL CONTROL FUND

Balance, January 1, 2016	\$ -
Increased by:	
Interest Earned	<u>38</u>
	38
Decreased by:	
Payments to Current Fund	<u>38</u>
Balance, December 31, 2016	<u><u>\$ -</u></u>

STATEMENT OF ACCOUNTS RECEIVABLE  
OTHER TRUST FUND

Balance, January 1, 2016	<u>\$ 400,000</u>
Balance, December 31, 2016	<u><u>\$ 400,000</u></u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE TO CURRENT FUND  
OTHER TRUST FUND**

EXHIBIT B-9

Balance, January 1, 2016	\$ -
Increased by:	
Interest Earned	<u>3,763</u>
	3,763
Decreased by:	
Payments to Current Fund	<u>3,763</u>
Balance, December 31, 2016	<u><u>\$ -</u></u>

EXHIBIT B-10

**STATEMENT OF DUE TO STATE OF NEW JERSEY - UNEMPLOYMENT COMPENSATION  
OTHER TRUST FUND**

Increased by:	
Unemployment Compensation Claims - 4th Quarter 2016	<u>\$ 6,631</u>
Balance, December 31, 2016	<u><u>\$ 6,631</u></u>

**TOWNSHIP OF READINGTON  
STATEMENT MISCELLANEOUS RESERVES - OTHER TRUST FUND**

	Balance, January 1, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2016</u>
Open Space	\$ 37,418	\$ 625,815	\$ 521,947	\$ 141,286
Unemployment	60,830	179	14,979	46,030
General:				
Hunting Escrow	3,464	2,230	2,406	3,288
Police Escrow	24,749	116,004	106,319	34,434
Police Donations	20			20
Public Defender	10,956	12,186	8,000	15,142
Parking Offenses Adjudication Act Assistance	66	8		74
Assistance	8,401			8,401
Library	11,297	1,800		13,097
Rent Security	6,327			6,327
Museum	50,011	8,944	9,011	49,944
Trail Association	1,500			1,500
Length of Service Awards Program	3,582			3,582
Board of Health Escrow	161,958	40,715	21,356	181,317
Housing:				
Deposits	139,341	384,579	156,049	367,871
Loans Receivable	400,000			400,000
COAH	2,113		36	2,077
Developers Escrow	838,845	368,655	238,105	969,395
Recreation	119,628	618,361	690,254	47,735
Driveway Apron/Maintenance	145,291	8,751	7,608	146,434
Payroll Deduction	50,787	4,093,262	4,079,632	64,417
Flexible Spending	-	8,113	7,766	347
Forfeited Funds	8,793	25	6,800	2,018
	<u>8,793</u>	<u>25</u>	<u>6,800</u>	<u>2,018</u>
 Total	 <u>\$ 2,085,377</u>	 <u>\$ 6,289,627</u>	 <u>\$ 5,870,268</u>	 <u>\$ 2,504,736</u>

Cash Disbursements	\$ 5,863,637
Due to State of New Jersey	<u>6,631</u>
	<u>\$ 5,870,268</u>



**GENERAL CAPITAL FUND**

**TOWNSHIP OF READINGTON**  
**STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, January 1, 2016		\$ 2,162,714
Increased by Receipts:		
Bond Anticipation Notes	\$ 2,210,332	
Deferred Charges for Future Taxation - Unfunded:		
State Aid Received	320,605	
Budget Appropriation	125,448	
Capital Improvement Fund - Budget Appropriation	90,000	
Reserve for Road Improvements	20,000	
Green Acres Settlement Cash Receipt	18,541	
Premium on Sale of Notes	352,604	
Receipts from Rescue Squad	22,112	
Cash Receipts - Fund Balance	48,163	
Interest Earned	<u>4,824</u>	
		<u>3,212,629</u>
		5,375,343
Decreased by Disbursements:		
Bond Anticipation Notes	787,018	
Improvement Authorizations	994,593	
Contracts Payable	882,445	
Payments to Current Fund	<u>488,872</u>	
		<u>3,152,928</u>
Balance, December 31, 2016		<u>\$ 2,222,415</u>

**TOWNSHIP OF READINGTON  
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2016</u>
Fund Balance	\$ 510,804
Capital Improvement Fund	65,979
Contracts Payable	128,468
Reserve for Emergency Vehicles	4,240
Due to Current Fund	7
Reserve for Road Improvements	152,250
Reserve for Green Acres Settlement	502,541
Excess Note Proceeds	325,011
Improvement <u>Authorizations:</u>	
03-24/04-27 Acquisition of Property - O'Urso	(805,224)
05-21/06-33 Various Capital Improvements	191,927
05-22/14-19 Various Capital Improvements	856,081
06-41 Various Capital Improvements	74,349
09-15 Various Capital Improvements	49,281
11-09 Various Capital Improvements	124,712
14-11 Various Capital Improvements	605,347
14-17 Acquisition of Property - Affordable Housing	18,745
14-21 Acquisition of Property - Fallon	(630)
15-4 Various Improvements	191,080
15-10 Acquisition of Affordable Housing Unit	135,000
16-4 Various Capital Improvements	<u>(907,553)</u>
	 <u>\$ 2,222,415</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF ACCOUNTS RECEIVABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 21,983
Decreased by:	
Loans Paid	<u>21,983</u>
Balance, December 31, 2016	<u>\$ -</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE TO CURRENT FUND  
GENERAL CAPITAL FUND**

Balance, January 1, 2016		\$ 311
Increased by:		
Fund Balance Anticipated as Current Fund Revenue	\$ 483,744	
Interest Earned	<u>4,824</u>	
		<u>488,568</u>
		488,879
Decreased By:		
Cash Payments to Current Fund		<u>488,872</u>
Balance, December 31, 2016		<u>\$ 7</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED  
GENERAL CAPITAL FUND**

Balance, January 1, 2016		\$ 28,813,815
Decreased by:		
Current Fund Budget Appropriations:		
Serial Bonds Payable	\$ 1,550,000	
Loans Paid	<u>366,428</u>	
		<u>1,916,428</u>
Balance, December 31, 2016		<u>\$ 26,897,387</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
GENERAL CAPITAL FUND**

Ord. No.	General Improvements	Analysis of Balance, December 31, 2016																
		Balance January 1, 2016	2016 Authorizations	State Aid Received	Cancelled	Raised in 2016 Budget	Notes Paid By Budget Appropriation	Balance, December 31, 2016	Bond Anticipation Notes Issued	Excess Proceeds	Expenditures	Unexpended Improvement Authorizations						
03-08/05-01	Acquisition of Property - Eggerman	\$ 75,448				\$ 75,448												
03-18	Acquisition of Property - YES Farms	50,000				50,000												
03-24/04-27	Acquisition of Property - O'Urso	805,224						\$ 805,224				\$ 805,224						
05-22/14-19	Various Capital Improvements	558						558						\$ 558				
06-04	Acquisition of Property - Solberg Airport	20,611,073					\$ 275,000	20,336,073	\$ 20,336,073									
07-37	Acquisition of Conservation Easement - CSEPI	217,330						217,330	217,330									
09-22	Acquisition of Property	660,074						660,074	660,074									
09-23	Acquisition of Property	1,490,366		\$ 83,953				1,406,413	1,490,364	\$ (83,951)								
09-29	Acquisition of Property	243,518		236,652			6,866	-	236,652	(236,652)								
09-31	Acquisition of Property - Affordable Housing	74,275			\$ 4,408		3,246	66,621	71,029	(4,408)								
12-29	Acquisition of Property - Yard/Smith	74,168					2,142	72,026	72,026									
14-12	Refunding Bond	750,000			750,000			-										
14-21	Acquisition of Property - Affordable Housing	408,500			1,750			406,750	406,120		630							
15-4	Various Improvements	2,280,000						2,280,000	2,210,332					69,668				
16-04	Various Capital Improvements	-	\$ 1,615,100					1,615,100	-			907,555		707,547				
		<u>\$ 27,740,534</u>	<u>\$ 1,615,100</u>	<u>\$ 320,605</u>	<u>\$ 756,158</u>	<u>\$ 125,448</u>	<u>\$ 287,254</u>	<u>\$ 27,866,169</u>	<u>\$ 25,700,000</u>	<u>\$ (325,011)</u>	<u>\$ 1,713,407</u>	<u>\$ 777,773</u>						
												Improvement Authorizations-Unfunded	\$ 968,853					
												Less: Unexpended Proceeds of Bond Anticipation Notes			191,080			
												Ord. 15-4	\$ 191,080			<u>191,080</u>		
												<u>\$ 777,773</u>						

**TOWNSHIP OF READINGTON  
STATEMENT OF CAPITAL IMPROVEMENT FUND  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 60,979
Increased by:	
Budget Appropriation - Capital Improvement Fund	<u>90,000</u>
	150,979
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>85,000</u>
Balance, December 31, 2016	<u>\$ 65,979</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Balance, January 1, 2016		2016 Authorizations		Expended	Cancelled	Balance, December 31, 2016	
		Funded	Unfunded	Capital Improvement Fund	Deferred Charges Unfunded			Funded	Unfunded
05-21/06-33	Various Capital Improvements	\$ 191,927						\$ 191,927	
05-22/14-19	Various Capital Improvements	884,658	\$ 558			\$ 28,577		856,081	\$ 558
06-41	Various Capital Improvements		74,349					74,349	
09-15	Various Capital Improvements	69,120				19,839		49,281	
09-31	Acquisition of Property - Affordable Housing		4,408				\$ 4,408		-
11-09	Various Capital Improvements	124,712						124,712	
14-11	Various Capital Improvements	623,796				18,449		605,347	
14-12	Refunding Bond		750,000				750,000		-
14-17	Acquisition of Property - Affordable Housing	24,445				5,700		18,745	
14-21	Acquisition of Property - Fallon		2,600			850	1,750		-
15-4	Various Improvements		317,841			57,093			260,748
15-10	Acquisition of Affordable Housing Unit	135,000						135,000	
16-04	Various Capital Improvements	-	-	\$ 85,000	\$ 1,615,100	992,553	-	-	707,547
		<u>\$ 2,053,658</u>	<u>\$ 1,149,756</u>	<u>\$ 85,000</u>	<u>\$ 1,615,100</u>	<u>\$ 1,123,061</u>	<u>\$ 756,158</u>	<u>\$ 2,055,442</u>	<u>\$ 968,853</u>
						Cash Disbursements	\$ 994,593		
						Contracts Payable	128,468		
							<u>\$ 1,123,061</u>		



**TOWNSHIP OF READINGTON  
STATEMENT OF CONTRACTS PAYABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 882,445
Increased by:	
Charges to Improvement Authorizations	<u>128,468</u>
	1,010,913
Decreased by:	
Cash Disbursements	<u>882,445</u>
Balance, December 31, 2016	<u>\$ 128,468</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF SERIAL BONDS PAYABLE  
GENERAL CAPITAL FUND**

Purpose of Issue	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance, January 1, 2016	Decreased	Balance, December 31, 2016
			Date	Amount					
General Improvement Bonds	1/18/2011	\$ 11,000,000	2/1/2017	\$ 340,000	4.000%	\$ 9,455,000	\$ 720,000	\$ 8,735,000	
			2/1/2018	380,000	4.000%				
			2/1/2019	420,000	4.000%				
			2/1/2020	470,000	5.000%				
			2/1/2021	265,000	5.000%				
			2/1/2022	320,000	4.200%				
			2/1/2023	370,000	4.500%				
			2/1/2024	430,000	4.625%				
			2/1/2025	490,000	5.000%				
			2/1/26-31	875,000	5.000-5.250%				
Refunding Bonds	6/26/2014	7,945,000	7/1/2017	725,000	4.000%	7,945,000	330,000	7,615,000	
			7/1/2018	720,000	4.000%				
			7/1/19-20	715,000	4.000%				
			7/1/2021	960,000	4.000%				
			7/1/2022	955,000	4.000%				
			7/1/2023	950,000	4.000%				
			7/1/2024	940,000	4.000%				
			7/1/2025	935,000	5.000%				
General Improvement Bonds	8/4/2015	9,573,000	2/1/2017	550,000	2.000%				
			2/1/2018	600,000	2.000%				
			2/1/2019	625,000	2.000%				
			2/1/2020	650,000	2.000%				
			2/1/2021	675,000	2.000%				
			2/1/2022	700,000	3.000%				
			2/1/2023	725,000	3.000%				
			2/1/2024	750,000	3.000%				
			2/1/2025	798,000	3.000%				
			2/1/26-28	1,000,000	3.000%				
						<u>9,573,000</u>	<u>500,000</u>	<u>9,073,000</u>	
						<u>\$ 26,973,000</u>	<u>\$ 1,550,000</u>	<u>\$ 25,423,000</u>	

Budget Appropriation                      \$ 1,550,000

**TOWNSHIP OF READINGTON  
STATEMENT OF NEW JERSEY GREEN ACRES LOAN PAYABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 1,840,815
Decreased by:	
Loans Paid by Budget Appropriation	<u>366,428</u>
Balance, December 31, 2016	<u>\$ 1,474,387</u>

**Analysis of Balance**

Rockaway Creek - 1998 Incentive	\$ 10,375 248,435
Greenway Acquisition	291,603
Summer Road Park	147,239
N.J. Infrastructure:	
Dreahook Road	392,371
2003	103,714
2004	<u>280,650</u>
	<u>\$ 1,474,387</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE  
GENERAL CAPITAL FUND**

Ord. No.	Improvement Description	Original Amount of Note	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2016	Increased	Decreased	Balance, December 31, 2016	
06-04	Acquisition of Property	\$ 15,000,000	2/6/2007	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	\$ 20,611,073	\$20,336,073	\$ 20,611,073	\$20,336,073	
07-37	Acquisition of Property	494,000	2/5/2008	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	217,329	217,330	217,329	217,330	
09-22	Acquisition of Property	3,624,000	10/9/2009	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	1,447,092	660,074	1,447,092	660,074	
09-23	Acquisition of Property	3,876,000	10/9/2009	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	1,490,364	1,490,364	1,490,364	1,490,364	
09-29	Acquisition of Property	542,450	2/3/2010	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	243,518	236,652	243,518	236,652	
09-31	COAH Property	225,661	2/3/2010	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	74,275	71,029	74,275	71,029	
12-29	Acquisition of Property	169,186	1/31/2013	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	74,169	72,026	74,169	72,026	
14-21	Acquisition of Property	406,120	11/17/2014	7/23/2015 2/3/2016	2/4/2016 2/2/2017	1.00% 2.00%	406,120	406,120	406,120	406,120	
15-4	Various Improvements	2,210,332	2/3/2016	2/3/2016	2/2/2017	2.00%	-	2,210,332	-	2,210,332	
							<b>\$ 24,563,940</b>	<b>\$25,700,000</b>	<b>\$ 24,563,940</b>	<b>\$25,700,000</b>	
							Issued for Cash	\$ 2,210,332			
							Renewals	23,489,668	\$ 23,489,668		
							Paid by Budget Appropriation		287,254		
							Paid by Capital Cash - Excess Note Proceeds	-	787,018		
							<b>\$25,700,000</b>	<b>\$ 24,563,940</b>			

**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR EMERGENCY VEHICLES  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ <u>4,240</u>
Balance, December 31, 2016	\$ <u><u>4,240</u></u>

**STATEMENT OF RESERVE FOR ROAD IMPROVEMENTS  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 132,250
Increased by:	
Cash Receipts	<u>20,000</u>
Balance, December 31, 2016	\$ <u><u>152,250</u></u>

**STATEMENT OF RESERVE FOR RESCUE SQUAD LOAN  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 21,983
Decreased by:	
Loans Paid	21,983
Balance, December 31, 2016	\$ -

**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR GREEN ACRES SETTLEMENT  
GENERAL CAPITAL FUND**

Balance, January 1, 2016	\$ 484,000
Increased by:	
Cash Receipts	18,541
Balance, December 31, 2016	\$ 502,541

**TOWNSHIP OF READINGTON  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
GENERAL CAPITAL FUND**

Ord. No. or Date	Improvement Description	Balance, January 1, 2016	2016 Authorizations	Raised in 2016 Budget	Cash Receipts	Cancelled	Notes Issued	Balance, December 31, 2016
<u>General Improvements:</u>								
03-08/05-01	Acquisition of Property - Eggerman	\$ 75,448		\$ 75,448				
03-18	Acquisition of Property - Y.E.S. Farms	50,000		50,000				
03-24/04-27	Acquisition of Property - O'Urso	805,224						\$ 805,224
09-23	Acquisition of Property	2			\$ 2			
14-12	Refunding Bond	750,000				\$ 750,000		
05-22/14-19	Various Sewer Improvements	558						558
14-21	Acquisition of Property - Fallon	2,380				1,750		630
15-4	Various Improvements	2,280,000					\$ 2,210,332	69,668
16-4	Various Improvements	-	\$ 1,615,100	-	-	-	-	1,615,100
		<u>\$ 3,963,612</u>	<u>\$ 1,615,100</u>	<u>\$ 125,448</u>	<u>\$ 2</u>	<u>\$ 751,750</u>	<u>\$ 2,210,332</u>	<u>\$ 2,491,180</u>

**SEWER UTILITY FUND**



**TOWNSHIP OF READINGTON  
STATEMENT OF CASH**

	<u>Operating</u>	<u>Expansion Trust</u>
Balance, January 1, 2016	\$ 341,079	\$ 376,388
Increased by Receipts:		
Sewer Rents	\$ 1,386,622	
User Fees from Other Contracts	216,160	
Miscellaneous	8,798	
Sewer Overpayments	2,410	
Sewer Expansion Fees Collected	-	\$ 142,333
Interest Earned	-	<u>1,236</u>
	<u>1,613,990</u>	<u>143,569</u>
	1,955,069	519,957
Decreased by Disbursements:		
2016 Budget Appropriations	1,518,308	
2015 Appropriation Reserves	29,764	
Payments to Current Fund	<u>6,884</u>	<u>130,000</u>
	<u>1,554,956</u>	<u>130,000</u>
Balance, December 31, 2016	<u>\$ 400,113</u>	<u>\$ 389,957</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2016			\$ 104,081
Increased by:			
Billings			<u>1,386,822</u>
			1,490,903
Decreased by:			
Sewer Overpayments Applied	\$	2,041	
Collections		<u>1,386,622</u>	
			<u>1,388,663</u>
Balance, December 31, 2016			<u>\$ 102,240</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF 2015 APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND**

	Balance, January 1, <u>2016</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating			
Other Expenses	\$ 376	305.00	\$ 71
Service Fees - RTMUA	<u>29,459</u>	<u>29,459</u>	<u>-</u>
 Total Water Utility Appropriation Reserves	 <u>\$ 29,835</u>	 <u>\$ 29,764</u>	 <u>\$ 71</u>
		<u>Cash Disbursements \$ 29,764</u>	

**STATEMENT OF ACCOUNTS PAYABLE  
SEWER UTILITY OPERATING FUND**

Increased by:		
Charges to 2016 Budget		<u>\$ 11,588</u>
 Balance, December 31, 2016		 <u>\$ 11,588</u>

**STATEMENT OF SEWER OVERPAYMENTS  
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2016		\$ 2,148
Increased by:		
Cash Receipts		<u>2,410</u>
		4,558
Decreased by:		
Cancelled	\$ 107	
Applied to Consumer Accounts Receivable	<u>2,041</u>	
		<u>2,148</u>
 Balance, December 31, 2016		 <u>\$ 2,410</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF AMOUNT DUE TO CURRENT FUND  
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2016	\$ 6,884
Decreased by:	
Payments to Current Fund	<u>6,884</u>
Balance, December 31, 2016	<u>\$ -</u>

**STATEMENT OF RESERVE FOR SEWER EXPANSION  
SEWER UTILITY EXPANSION TRUST FUND**

Balance, January 1, 201	\$ 376,388
Increased by:	
Cash Receipts	
Fees	\$ 142,333
Interest on Investments	<u>1,236</u>
	<u>143,569</u>
	519,957
Decreased by:	
Cash Disbursements	
Anticipated as Revenue in Current Fund	<u>130,000</u>
Balance, December 31, 2016	<u>\$ 389,957</u>

**TOWNSHIP OF READINGTON**  
**PART II**  
**GOVERNMENTAL AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members  
of the Township Council  
Township of Readington  
Readington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Township of Readington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

#### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Readington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2016-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Township of Readington in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

### **Township of Readington's Responses to Findings**

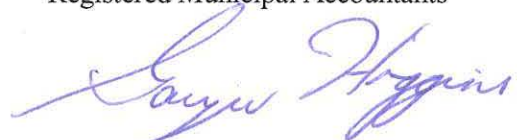
The Township of Readington's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Township of Readington's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
March 20, 2017

**TOWNSHIP OF READINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Federal CFDA Number</u>	<u>Original Grant Amount</u>	<u>Current Year Grant Receipt</u>	<u>Grant Year</u>	<u>Balance, January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Cancelled</u>	<u>Balance, December 31, 2016</u>	<u>Cumulative Expended</u>
U.S. Department of Highway Traffic Safety										
Click it or Ticket	20.616	\$ 4,500	\$ 4,500	2016		\$ 4,500	\$ 4,500			\$ 4,500
Drive Sober	20.616	5,000	-	2015	\$ 5,000		2,400	\$ 2,600		2,400
U.S. Department of Law and Public Safety										
FEMA	97.036	4,861	4,861		-	4,861	4,861	-	-	4,861
					<u>\$ 5,000</u>	<u>\$ 9,361</u>	<u>\$ 11,761</u>	<u>\$ 2,600</u>	<u>\$ -</u>	

Note - This schedule was not subject to an audit in accordance with U.S. Uniform Guidance



**TOWNSHIP OF READINGTON  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Grant Number</u>	<u>State Grant Program</u>	<u>Grant Award</u>	<u>Current Year Grant Receipt</u>	<u>Grant Award Year</u>	<u>Balance, January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2016</u>	<u>Cumulative Expended</u>
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	\$ 4,774	\$ 4,774	2016	-	\$ 4,774		\$ 4,774	-
		4,302		2015	\$ 4,302			4,302	-
		6,416		Prior Years	3,429		\$ 2,281	1,148	\$ 5,268
1110-448-031020-22	Drunk Driving Enforcement Fund	16,345		2015	16,345		5,057	11,288	5,057
		3,590		Prior Years	3,590		3,590	-	3,590
4800-533-042-4800-003-V22G-6020	Green Acres Trust Fund - Amawalk	274,650	274,650			274,650	274,650		274,650
4800-533-042-4800-003-V22G-6020	Green Acres Trust Fund - Readington Farms	83,953	83,953			83,953	83,953		83,953
4800-533-042-4800-003-V22G-6020	Green Acres Trust Fund - Bergold	104,190	104,190			104,190	104,190		104,190
N/A	Sustainable New Jersey	10,000		2015	6,580		5,949	631	9,369
N/A	Clean Communities	63,116	63,116	2016	-	63,116	63,116	-	63,116
N/A	NJ Historic Commission - Museum	8,000		2015	4,000		4,000	-	8,000
N/A	Recreation Trails Grant - NJDEP	4,600	4,600	2016		4,600	3,270	1,330	3,270
N/A	NJ Environmental Commission - ANJEC	800	800	2016		800		800	-
N/A	Body Armor Replacement	2,345	2,345	2016	-	2,345	1	2,344	1
		2,436		2015	394		394	-	2,436
					-		-	-	
					<u>\$ 38,640</u>	<u>\$ 538,428</u>	<u>\$ 550,451</u>	<u>\$ 26,617</u>	

Note - This schedule was not subject to an audit in accordance with NJ OMB Circular 15-08

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**TOWNSHIP OF READINGTON  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Township of Readington. The Township is defined in Note 1(A) to the Township's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Township's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Township's financial statements. Financial assistance revenues are reported in the Township's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 9,361	\$ 75,635	\$ 84,996
General Capital Fund	<u>-</u>	<u>462,793</u>	<u>462,793</u>
Total Financial Awards	<u>\$ 9,361</u>	<u>\$ 538,428</u>	<u>\$ 547,789</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Township's fiscal year and grant program year.

**TOWNSHIP OF READINGTON  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 5 STATE LOANS OUTSTANDING**

The Township's state loans outstanding at December 31, 2016, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Rockaway Creek - 1998	\$ 10,375
Incentive	248,435
Greenway Acquisition	291,603
Summer Road Park	147,239
N.J. Infrastructure:	
Dreahook Road	392,371
2003	103,714
2004	<u>280,650</u>
	<u>\$ 1,474,387</u>

**TOWNSHIP OF READINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part I – Summary of Auditor’s Results*

**Financial Statements**

Type of auditors' report issued on financial statements      Modified, Unaudited LOSAP Trust Fund

Internal control over financial reporting:

1) Material weakness(es) identified                                          X     yes                 no

2) Significant deficiency(ies) that are not  
considered to be material weakness(es)?                                                 yes          X     none reported

Noncompliance material to the financial  
statements noted?               yes          X     no

**Federal Awards Section - NOT APPLICABLE**

**State Awards Section - NOT APPLICABLE**

**TOWNSHIP OF READINGTON  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part II – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

**Finding 2016-001:**

The audit indicated that the Current Fund appropriation for legal services was overexpended by \$500,743. Additionally, various purchase orders for goods or services were not encumbered prior to the goods being received, the services being rendered or contracts being awarded.

**Criteria or specific requirement:**

N.J.A.C. 5:30-5.2, "Encumbrance Systems"  
N.J.S.A. 40A:4-57, Local Budget Law - "Expenditure Void Without Appropriations".

**Condition:**

Expenditures were incurred in the Current Fund for legal costs in excess of the amount appropriated for such purpose. In addition, certain purchase orders were not encumbered in the various funds of the Township prior to goods being ordered or services rendered.

**Questioned Costs:**

Not Applicable.

**Context:**

- The following expenditures were incurred in excess of the available 2016 Current Fund budget appropriation:

Legal Services-Other Expenses	\$500,743
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Included in the above overexpenditure was \$240,792 of legal expenditures that were not encumbered in the Current Fund financial statements at December 31, 2016 presented for audit.

- Certain not to exceed unit cost contracts approved by the Governing Body were not encumbered subsequent to being awarded resulting in an unrecorded liability for the curbing project in the amount of \$62,400 in the General Capital Fund.
- Various purchase orders tested indicated goods were received or services rendered prior to the date the purchase order was executed.

**Effect:**

The Township incurred a significant overexpenditure of the 2016 Current Fund budget. The financial statements for the General Capital Fund have been adjusted for the unrecorded liability.

**Cause:**

See condition.

**Recommendation:**

Internal controls over the Township's encumbrance accounting system be reviewed and enhanced.

**Management's Response:**

Management has reviewed this finding and will undertake corrective action.

**TOWNSHIP OF READINGTON  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.

**TOWNSHIP OF READINGTON  
HUNTERDON COUNTY, NEW JERSEY**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**



**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
CURRENT FUND**

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,055,000	1.35%	\$ 1,190,678	1.54%
Miscellaneous - From Other Than Local				
Property Tax Levies	3,425,516	4.38%	3,593,379	4.64%
Collection of Delinquent Taxes and Tax Title Liens	899,452	1.15%	796,268	1.03%
Collection of Current Tax Levy	72,209,785	92.41%	71,469,125	92.36%
Other Credits	<u>550,192</u>	<u>0.70%</u>	<u>329,790</u>	<u>0.43%</u>
Total Income	<u>78,139,945</u>	<u>100.00%</u>	<u>77,379,240</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	18,257,457	23.64%	17,729,482	23.28%
County Taxes	11,463,706	14.84%	11,092,659	14.57%
Local School Taxes	28,820,286	37.32%	28,731,847	37.73%
Regional School Taxes	18,154,962	23.51%	18,051,369	23.71%
Municipal Open Space Taxes	521,470	0.68%	524,370	0.69%
Other Expenditures	<u>8,177</u>	<u>0.01%</u>	<u>12,693</u>	<u>0.02%</u>
Total Expenditures	77,226,058	<u>100.00%</u>	76,142,420	<u>100.00%</u>
Less: Expenditures to be Raised by Future Revenue	<u>685,743</u>		<u>-</u>	
Total Adjusted Expenditures	<u>76,540,315</u>		<u>76,142,420</u>	
Excess in Revenue	1,599,630		1,236,820	
Fund Balance, January 1	<u>2,110,057</u>		<u>2,063,915</u>	
	3,709,687		3,300,735	
Less Utilization as Anticipated Revenue	<u>1,055,000</u>		<u>1,190,678</u>	
Fund Balance, December 31	<u>\$ 2,654,687</u>		<u>\$ 2,110,057</u>	

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
SEWER UTILITY OPERATING FUND**

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 57,992	3.47%	\$ 121,489	6.99%
Rents	1,388,663	83.06%	1,377,110	79.21%
Miscellaneous	224,958	13.46%	224,910	12.94%
Other Credits	<u>178</u>	<u>0.01%</u>	<u>14,969</u>	<u>0.86%</u>
Total Income	<u>1,671,791</u>	<u>100.00%</u>	<u>1,738,478</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Operating	1,580,380	99.33%	1,533,877	93.27%
Deferred Charges and Statutory Expenditures	10,612	0.67%	10,612	0.65%
Surplus (General Budget)	<u>-</u>	<u>0.00%</u>	<u>100,000</u>	<u>6.08%</u>
Total Expenditures	<u>1,590,992</u>	<u>100.00%</u>	<u>1,644,489</u>	<u>100.00%</u>
Excess in Revenue	80,799		93,989	
Fund Balance, January 1	<u>302,212</u>		<u>329,712</u>	
	-		-	
	383,011		423,701	
Decreased by:				
Utilized by Current Fund Budget	<u>57,992</u>		<u>121,489</u>	
Fund Balance, December 31	<u>\$ 325,019</u>		<u>\$ 302,212</u>	

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**Comparative Schedule Of Tax Rate Information**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	<u>\$2.800</u>	<u>\$2.755</u>	<u>\$2.721</u>
Municipal	0.528	0.519	0.503
Municipal Open Space	0.020	0.020	0.020
County	0.440	0.423	0.433
Local School	1.112	1.101	1.078
Regional School	0.700	.692	.687

Assessed Valuation

2016	<u>\$2,593,333,060</u>	
2015		<u>\$2,609,380,779</u>
2014		<u>\$2,663,436,084</u>

**Comparison of Levies and Collection Currently**

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

December 31 <u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	Percentage of <u>Collection</u>
2016	\$ 73,004,964	\$ 72,209,785	98.91%
2015	72,230,387	71,469,125	98.94%
2014	72,644,899	71,788,251	98.82%

**Delinquent Taxes and Tax Title Liens**

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

December 31 <u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	Percentage of <u>Tax Levy</u>
2016	\$ 702,441	\$ 108,472	\$ 810,913	1.11%
2015	1,114,876	105,482	1,220,358	1.69%
2014	1,226,268	102,540	1,328,808	1.83%

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**Comparison of Sewer Utility Levies**

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2016	\$1,386,822	\$1,388,663	100.13%
2015	1,371,803	1,377,110	100.39
2014	1,362,548	1,356,581	99.56

\* Cash collections include prior year balance collected in the current year and prior year overpayments applied.

**Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2016	\$2,654,687	\$1,756,000 (A)
	2015	2,110,057	1,055,000
	2014	2,063,915	1,190,678
	2013	2,007,178	1,340,200
<u>Sewer Utility Operating Fund</u>	2016	\$325,019	\$81,390 (A)
	2015	302,212	57,992
	2014	329,712	121,489
	2013	283,133	48,058

(A) The above fund balance amounts appropriated represents the fund balance anticipated in the 2017 introduced municipal budget. The 2017 municipal budget has not been legally adopted as of the date of the audit.

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS**

<u>Name</u>	<u>Title</u>
Betty Ann Fort	Mayor
M. Elizabeth Duffy	Deputy Mayor
John D. Broten	Township Committee
Benjamin Smith	Township Committee
Samuel D. Tropello	Township Committee
Vita Mekovetz	Administrator, Clerk, Treasurer, Qualified Purchasing Agent
Thomas Carro	Chief Financial Officer
Michael Balogh	Tax Collector, Sewer Collector, Tax Search Officer
Mary Mastro	Tax Assessor
Gerard Shamey	Municipal Court Judge
Kimberly Marino	Municipal Court Administrator
Sebastian Donaruma	Police Chief

All officials and employees handling and collecting Township funds are insured for crime coverages for \$50,000 under the Public Alliance Insurance Coverage Fund Joint Insurance Fund and \$950,000 under the Municipal Excess Liability Joint Insurance Fund (MEL).

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Prior Year Unresolved**

Our audit revealed that certain miscellaneous reserves in the Other Trust Fund do not have approved dedication by riders from the Division of Local Government Services. It is recommended that dedication by riders be obtained or balances be disposed of for each of the miscellaneous reserves in the Other Trust Fund.

The audit of the Municipal Court indicated that the Tickets Assigned Not Issued Report includes 146 tickets that were outstanding in excess of six months. The court administrator is in the process of attempting to clear the outstanding items. It is recommended that reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.

**Contracts and Agreements Required To Be Advertised For NJS 40a:11-4**

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement".

If the Township's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c. 198 (C.40A:11-9), the Township may establish the bid threshold up to a maximum of \$40,000. The Township's Administrator is qualified and the Township, by resolution, has increased the bid threshold to \$40,000.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

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

- 2016 Road Reclamation
- Maintenance and Repair Materials

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

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

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Collection of Interest of Delinquent Taxes and Assessments**

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

The Governing Body on January 4, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED that pursuant to R.S 54:4-67, the Township Committee of the Township of Readington, County of Hunterdon and State of New Jersey hereby fixes the rate of interest to be charged on delinquent taxes for calendar year 2016 at the rate of eight percent (8%) per annum on the first \$1,500.00 of delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00 of delinquency.

BE IT FURTHER RESOLVED that notwithstanding the above provision, no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same became payable according to the laws in such cases made and provided. If such payment is not made within the ten (10) day grace period, the above rate of interest shall run and accrue from the original due date of such taxes.

BE IT FURTHER RESOLVED that the same interest calculations for delinquent tax collections be applied to sewer utility accounts with the exception that the grace period be thirty (30) days.

BE IT FURTHER RESOLVED that any taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year shall be so charged an additional rate of interest of six percent (6%) against the delinquency.

It appears from an examination of the collector's records that interest on taxes receivable and sewer charges were collected in accordance with the foregoing resolution.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on October 20, 2016 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2016	5
2015	5
2014	5

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

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS**

It is recommended that:

- \* 1. Internal controls over the Township's encumbrance accounting system be reviewed and enhanced.
- \* 2. Dedication by riders be obtained or balances be disposed of for each of the miscellaneous reserves in the Other Trust Fund.
- \* 3. Reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.

\*\*\*\*\*

**Status of Prior Year's Audit Findings/Recommendations**

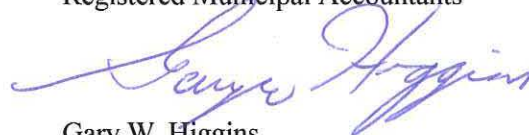
A review was performed on the prior year recommendation and corrective action was taken on all except those noted with an asterisk (\*) above.

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

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



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405