

TOWNSHIP OF READINGTON
HUNTERDON COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2017

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TOWNSHIP OF READINGTON

HUNTERDON COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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ADWOA BOACHIE, CPA

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, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, 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 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 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, 2017 and 2016, 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, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Township’s Trust Funds, and represent 48 percent and 39 percent of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2017 and 2016.

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, 2017 and 2016, 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, 2017 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 June 13, 2018 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 the effectiveness of the Township of Readington's 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
June 13, 2018

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Regular Fund			
Cash	A-4	\$ 13,789,072	\$ 7,681,988
Cash - Change Fund	A-5	650	650
Due from State - Senior Citizens and Veterans Deductions	A-7	<u>66,639</u>	<u>58,034</u>
		<u>13,856,361</u>	<u>7,740,672</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	569,374	702,441
Tax Title Liens Receivable	A-9	111,535	108,472
Due from General Capital Fund	C-5	-	7
Revenue Accounts Receivable	A-10	<u>6,339</u>	<u>8,372</u>
		<u>687,248</u>	<u>819,292</u>
Deferred Charges:			
Overexpenditure of Appropriation	A-20		500,743
Emergency Authorizations	A-28	<u>-</u>	<u>185,000</u>
		<u>-</u>	<u>685,743</u>
 Total Regular Fund		 <u>14,543,609</u>	 <u>9,245,707</u>
Grants Fund			
Grants Receivable	A-21	639,064	5,000
Due from Current Fund	A-23	<u>22,989</u>	<u>21,975</u>
 Total Grants Fund		 <u>662,053</u>	 <u>26,975</u>
 Total Assets		 <u>\$ 15,205,662</u>	 <u>\$ 9,272,682</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-11	\$ 877,411	\$ 595,934
Encumbrances Payable	A-12	414,284	409,651
Reserve for Master Plan	A-19	76,514	76,514
Reserve for Sale of Assets	A-24	14,009	11,873
Prepaid Taxes	A-13	4,994,110	412,759
Regional School Taxes Payable	A-17	3,052,130	3,052,130
County Taxes Payable	A-15	22,494	61,366
Miscellaneous Fees Payable	A-18	13,117	14,961
Due to General Capital Fund	C-5	43,220	-
Due to Grants Fund	A-23	22,989	21,975
Reserve for Tax Sale Premiums	A-25	732,400	628,200
Reserve for Tax Appeals	A-27	308,002	308,002
Tax Overpayments	A-14	<u>575,902</u>	<u>178,363</u>
		11,146,582	5,771,728
Reserve for Receivables	A	687,248	819,292
Fund Balance	A-1	<u>2,709,779</u>	<u>2,654,687</u>
Total Regular Fund		<u>14,543,609</u>	<u>9,245,707</u>
Grants Fund			
Encumbrances Payable	A-29	429	358
Reserve for Grants and Donations - Appropriated	A-22	<u>661,624</u>	<u>26,617</u>
Total Grants Fund		<u>662,053</u>	<u>26,975</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 15,205,662</u>	<u>\$ 9,272,682</u>

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,756,000	\$ 1,055,000
Miscellaneous Revenues	A-2	3,940,720	3,343,960
Receipts from Delinquent Taxes	A-2	702,441	899,452
Receipts from Current Taxes	A-2	74,462,784	72,209,785
Non-Budget Revenues	A-2	285,295	81,556
Other Credits to Income:			
Interfunds and Other Receivables Returned	A	7	7,188
Unexpended Balance of Appropriation Reserves	A-11	<u>431,540</u>	<u>543,004</u>
 Total Income		 <u>81,578,787</u>	 <u>78,139,945</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,430,468	6,409,855
Other Expenses	A-3	7,303,437	7,128,178
Capital Improvements	A-3	235,000	290,000
Municipal Debt Service	A-3	3,157,962	2,862,855
Deferred Charges and Statutory			
Expenditures	A-3	2,146,172	1,566,569
Regional School District Tax	A-17	18,681,639	18,154,962
Local District School Tax	A-16	29,299,293	28,820,286
County Tax	A-15	11,967,321	11,402,340
County Share of Added and Omitted Taxes	A-15	22,494	61,366
Local Open Space Tax	A-30	522,459	518,667
Local Open Space Added Taxes	A-30	985	2,803
Refund of Prior Year Revenue	A-4	465	6,677
Prior Year Senior Citizen Deduction Disallowed	A-1	<u>-</u>	<u>1,500</u>
 Total Expenditures		 <u>79,767,695</u>	 <u>77,226,058</u>
Excess of Revenues over Expenditures		1,811,092	913,887
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-1	<u>-</u>	<u>685,743</u>
Statutory Excess to Fund Balance		1,811,092	1,599,630
 FUND BALANCE, JANUARY 1	A	 <u>2,654,687</u>	 <u>2,110,057</u>
Decreased by:		4,465,779	3,709,687
Utilization as Anticipated Revenue	A-1	<u>1,756,000</u>	<u>1,055,000</u>
 FUND BALANCE, DECEMBER 31	A	 <u>\$ 2,709,779</u>	 <u>\$ 2,654,687</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, 2017

		2017			
		<u>Anticipated</u>	Added by:	2017	Excess or
	<u>Reference</u>	<u>Budget</u>	<u>NJS 40A:4-87</u>	<u>Realized</u>	<u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,756,000	-	\$ 1,756,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-10	19,000		20,382	\$ 1,382
Fees and Permits					
Other	A-2	170,000		176,202	6,202
Fines and Costs					
Municipal Court	A-10	120,000		119,007	(993)
Interest and Costs on Taxes	A-10	177,000		192,209	15,209
Interest on Investments and Deposits	A-2	30,655		46,467	15,812
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	570,000		497,896	(72,104)
State and Federal Revenues Offset with Appropriations					
Drunk Driving Enforcement Fund	A-21		13,204	13,204	
Clean Communities Program	A-21		53,621	53,621	
Body Armor Grant	A-21		2,348	2,348	
Click it or Ticket	A-21		1,815	1,815	
Distracted Driver	A-21		5,500	5,500	
Alcohol Education & Rehabilitation	A-21		4,504	4,504	
Taretino Police	A-21		3,730	3,730	
U.S. EPA - 3169-H Watershed Plan	A-21		650,000	650,000	
Other Special Items					
Uniform Safety Act	A-10	25,000		28,162	3,162
General Capital Fund Balance	C-5	475,000		475,000	
Housing Trust Fund Balance	A-10	50,000		50,000	
Sewer Utility Expansion Trust Fund Balance	D-9	175,000	-	175,000	-
Total Miscellaneous Revenues	A-1	<u>3,237,328</u>	<u>734,722</u>	<u>3,940,720</u>	<u>(31,330)</u>
Receipts from Delinquent Taxes	A-2	<u>700,000</u>	<u>-</u>	<u>702,441</u>	<u>2,441</u>

**TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

		2017 <u>Anticipated</u>			
	<u>Reference</u>	<u>Budget</u>	<u>Added by: NJS 40A:4-87</u>	<u>2017 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes		\$ 14,445,980	-	\$ 15,068,593	\$ 622,613
 Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>14,445,980</u>	<u>-</u>	<u>15,068,593</u>	<u>622,613</u>
 Total General Revenue	A-3	<u>\$ 20,139,308</u>	<u>\$ 734,722</u>	21,467,754	<u>\$ 593,724</u>
 Non-Budget Revenue	A-1,A-2			<u>285,295</u>	
				<u>\$ 21,753,049</u>	

TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 74,462,784
Allocated to		
Local School, Regional High School, County and Municipal Open Space Taxes	A-15,A-16, 17, 30	<u>60,494,191</u>
		13,968,593
Add: Appropriation for Reserve for		
Uncollected Taxes	A-3	<u>1,100,000</u>
Amount for Support of Municipal Budget		
Appropriations	A-2	<u>\$ 15,068,593</u>
Analysis of Delinquent Taxes		
Taxes Receivable	A-2, A-8	<u>\$ 702,441</u>
Fees and Permits - Other		
Township Clerk	A-10	\$ 35,809
Board of Health /Registrar of Vital Statistics	A-10	51,842
Fire Prevention	A-10	49,106
Planning and Zoning Boards	A-10	23,669
Department of Public Works	A-10	12,080
Police	A-10	<u>3,696</u>
	A-2	<u>\$ 176,202</u>
Interest on Investments		
Cash Receipts	A-10	\$ 25,687
Due from Animal Control Fund	B-7	41
Due from Other Trust Fund	B-9	3,789
Due from General Capital Fund	C-4	<u>16,950</u>
	A-2	<u>\$ 46,467</u>
Non-Budget Revenues		
Senior Citizens and Veterans Deductions Administrative Fee		\$ 2,419
Library Aid		714
Cable Franchise Fee		18,611
Tax Collector		370
FEMA Reimbursement		80,149
Recycling Fees		34,584
Police Outside Duty Administration Fees		19,139
Police Outside Duty Vehicle Use Fees		6,629
Insurance Rebates/Return of Premiums		40,774
Trust Reserves Cancelled		19,139
Miscellaneous		2,725
Rental of Properties		8,040
Payments in Lieu of Taxes on Real Property		<u>52,002</u>
	A-2, A-4	<u>\$ 285,295</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, 2017

	2017		2017 Expended		Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 354,258	\$ 359,258	\$ 358,714	\$ 544	
Other Expenses					
Elections	13,000	13,000	11,091	1,909	
Miscellaneous Other Expenses	105,000	105,000	93,264	11,736	
Mayor and Committee					
Salaries and Wages	33,420	33,420	33,420	-	
Financial Administration					
Salaries and Wages	208,116	208,116	195,097	13,019	
Other Expenses	12,000	12,000	4,885	7,115	
Audit Services					
Other Expenses	39,500	39,500	39,500	-	
Revenue Administration					
Salaries and Wages	82,665	82,665	82,665	-	
Other Expenses	24,000	24,000	21,561	2,439	
Assessment of Taxes					
Salaries and Wages	74,700	78,900	78,717	183	
Other Expenses					
Revision of Tax Map	15,000	15,000	474	14,526	
Miscellaneous Other Expenses	5,000	5,000	4,450	550	
Legal Service and Costs					
Other Expenses	900,000	900,000	449,094	20,906	\$ 430,000
Engineering Services and Costs					
Other Expenses	153,000	165,000	161,194	3,806	
Museum Committee					
Salaries and Wages	31,900	31,900	19,784	12,116	
Other Expenses	18,000	18,000	16,939	1,061	
Historic Preservation Committee					
Other Expenses	1,500	1,500	17	1,483	
Planning Board					
Salaries and Wages	26,530	26,530	26,440	90	
Other Expenses	3,000	3,000	1,980	1,020	
Board of Adjustment					
Salaries and Wages	70,210	70,210	68,651	1,559	
Other Expenses	4,500	6,000	5,537	463	
Environmental Health Commission					
Salaries and Wages	1,040	1,040	1,040	-	
Other Expenses					
Consultants	130,000	130,000	85,262	24,738	20,000
Miscellaneous Other Expenses	3,000	3,000	1,039	1,961	
Insurance					
General Liability	466,040	466,040	446,034	20,006	
Employee Group Insurance	2,127,957	2,127,957	2,002,932	125,025	
Worker's Compensation	253,140	253,140	253,140	-	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,897,203	2,897,203	2,803,261	93,942	
Other Expenses	240,000	240,000	225,043	14,957	
Patrol of School Crossings					
Salaries and Wages	17,000	17,000	8,500	8,500	
Emergency Management Services					
Salaries and Wages	14,400	14,400	14,386	14	
Other Expenses	2,500	2,500	266	2,234	

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, 2017**

	2017		2017 Expended		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or 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	80,752	\$ 7,888	
Training Fire Department Personnel	16,000	16,000	16,000	-	
Uniform Fire Safety Act					
Salaries and Wages	57,395	57,395	43,814	13,581	
Other Expenses	3,000	3,000	1,266	1,734	
Supplemental Fire Service Program					
Other Expenses	12,500	12,500	8,664	3,836	
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	1,580	20,580	
Municipal Prosecutors Office					
Other Expenses	37,000	43,500	42,632	868	
PUBLIC WORK FUNCTIONS					
Road Repairs and Maintenance					
Salaries and Wages	1,487,364	1,443,164	1,401,860	41,304	
Other Expenses	375,000	375,000	341,529	33,471	
Waste Collection/Recycling					
Salaries and Wages	23,700	23,700	23,700	-	
Other Expenses	700,000	700,000	640,043	59,957	
Snow Removal					
Other Expenses	120,000	120,000	97,959	22,041	
Tree Care					
Other Expenses	30,000	30,000	30,000		
Buildings and Grounds					
Salaries and Wages	236,309	236,309	226,856	9,453	
Other Expenses	113,000	113,000	89,316	23,684	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	44,100	44,100	43,094	1,006	
Other Expenses	42,000	42,000	23,582	18,418	
Animal Control Services					
Other Expenses	5,000	5,000		5,000	
Administration of Public Assistance					
Salaries and Wages	114,985	114,985	114,985	-	
Other Expenses	1,500	1,500	1,279	221	
PARK AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	96,710	96,710	96,421	289	
Other Expenses	40,000	40,000	31,703	8,297	
Senior Citizens Transportation					
Other Expenses	5,000	5,000	2,740	2,260	
Expense of Participation of Free County Library					
Salaries and Wages	137,950	137,950	124,839	13,111	
Other Expenses	8,500	8,500	5,071	3,429	
Cost of PEOSHA Requirements					
Other Expenses	55,000	55,000	40,727	14,273	
Other Expenses				-	

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, 2017**

	2017		2017 Expended		
	<u>Appropriated</u>		<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</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	\$ 345,313	\$ 345,313	\$ 329,046	\$ 16,267	
Other Expenses	65,000	65,000	37,461	27,539	
UTILITIES					
Fire Hydrant Service	85,000	85,000	81,256	3,744	
Electricity	130,000	130,000	128,718	1,282	
Street Lighting	40,000	40,000	36,602	3,398	
Telephone	72,000	72,000	61,993	10,007	
Fuel Oil	8,500	8,500		8,500	
Gasoline	88,178	103,178	82,881	20,297	
Celebration of Public Events					
Other Expenses	8,000	8,000	7,970	30	
Municipal Court					
Salaries and Wages	110,200	110,200	106,456	3,744	
Other Expenses	19,000	19,000	15,642	3,358	
Public Defender					
Other Expenses	16,000	16,000	10,004	5,996	-
Contingent	3,000	3,000	1,320	1,680	-
Total Operations Within "CAPS"	<u>13,340,583</u>	<u>13,340,583</u>	<u>12,094,138</u>	<u>796,445</u>	<u>450,000</u>
Detail:					
Salaries and Wages	6,465,468	6,430,468	6,201,746	228,722	
Other Expenses	6,875,115	6,910,115	5,892,392	567,723	450,000
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL					
WITHIN "CAPS"					
Overexpenditure of Appropriation	500,743	500,743	500,743	-	
Social Security System (O.A.S.I.)	497,250	497,250	458,801	38,449	
Public Employees' Retirement System	385,399	385,399	385,399	-	
Police and Firemen's Retirement System	562,780	562,780	562,780	-	
Defined Contribution Retirement Contribution	10,000	10,000	9,410	590	
Unemployment Insurance	5,000	5,000	2,873	2,127	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	<u>1,961,172</u>	<u>1,961,172</u>	<u>1,920,006</u>	<u>41,166</u>	<u>-</u>
Total General Appropriations for Municipal					
Purposes Within "CAPS"	<u>15,301,755</u>	<u>15,301,755</u>	<u>14,014,144</u>	<u>837,611</u>	<u>450,000</u>

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		2017 Expended		
	<u>Appropriated</u>		<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>			
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Awards Program (LOSAP)				\$ -	-
Employee Group Health					
Other Expenses	70,000	70,000	68,800	1,200	-
Total Other Operations Excluded from "CAPS"	<u>70,000</u>	<u>70,000</u>	<u>68,800</u>	<u>1,200</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Clean Communities Program		53,621	53,621	-	
Drunk Driving Enforcement Fund		13,204	13,204	-	
Body Armor Grant		2,348	2,348	-	
Click it or Ticket		1,815	1,815	-	
Tarentino Police		3,730	3,730	-	
Distracted Driver		5,500	5,500	-	
Alcohol Education & Rehabilitation		4,504	4,504	-	
U.S. EPA - 3169H Watershed Plan				-	
Federal		650,000	650,000	-	
Match	38,600	38,600	-	38,600	-
Total Public and Private Programs Offset by Revenues	<u>38,600</u>	<u>773,322</u>	<u>734,722</u>	<u>38,600</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>108,600</u>	<u>843,322</u>	<u>803,522</u>	<u>39,800</u>	<u>-</u>
Detail:					
Other Expenses	108,600	843,322	803,522	39,800	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	35,000	35,000	35,000		
Road Repairs and Improvements	200,000	200,000	200,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>235,000</u>	<u>235,000</u>	<u>235,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	991,000	991,000	991,000	-	
Payment of Bond Anticipation Notes	91,403	91,403	91,403	-	
Interest on Bonds	1,169,950	1,169,950	1,124,340	-	\$ 45,610
Interest on Notes	556,000	556,000	555,420	-	580
Green Trust Loan Program:					
Loan Repayments of Principal and Interest	400,600	400,600	395,799	-	4,801
Total Municipal Debt Service Excluded from "CAPS"	<u>3,208,953</u>	<u>3,208,953</u>	<u>3,157,962</u>	<u>-</u>	<u>50,991</u>

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017		2017 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Emergency Authorizations	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,737,553</u>	<u>4,472,275</u>	<u>4,381,484</u>	<u>\$ 39,800</u>	<u>\$ 50,991</u>
Subtotal General Appropriations	19,039,308	19,774,030	18,395,628	877,411	500,991
Reserve for Uncollected Taxes	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 20,139,308</u>	<u>\$ 20,874,030</u>	<u>\$ 19,495,628</u>	<u>\$ 877,411</u>	<u>\$ 500,991</u>
<u>Reference</u>	A-2			A	

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Budget as Adopted	A-2	\$ 20,139,308	
Added by N.J.S. 40A:4-87	A-2	<u>734,722</u>	
		<u>\$ 20,874,030</u>	
			<u>16,618,194</u>
Cash Disbursed	A-4		\$ 17,478,814
Less Refunds	A-4		<u>860,620</u>
			356,969
Encumbrances Payable	A-12		500,743
Deferred Charges:			185,000
Overexpenditure of Appropriations	A-20		734,722
Special Emergency Appropriations	A-28		<u>1,100,000</u>
Transferred to Grants Fund	A-22		
Reserve for Uncollected Taxes	A-2		<u>\$ 19,495,628</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 9,542	\$ 3,252
		<u>9,542</u>	<u>3,252</u>
OTHER TRUST FUND			
Cash	B-3	1,616,874	2,111,367
Accounts Receivable - Other	B-8	<u>400,000</u>	<u>400,000</u>
		<u>2,016,874</u>	<u>2,511,367</u>
LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)			
Investments	B	1,769,784	1,533,530
Intergovernmental Receivable	B	<u>70,400</u>	<u>69,600</u>
		<u>1,840,184</u>	<u>1,603,130</u>
Total Assets		<u>\$ 3,866,600</u>	<u>\$ 4,117,749</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to the State of New Jersey	B-6	\$ 866	\$ 278
Prepaid Licenses	B-5	8,659	2,622
Reserve for Animal Control Expenditures	B-4	<u>17</u>	<u>352</u>
		<u>9,542</u>	<u>3,252</u>
OTHER TRUST FUND			
Miscellaneous Reserves	B-11	2,016,874	2,504,736
Due to State of New Jersey - Unemployment Compensation	B-10	<u>-</u>	<u>6,631</u>
		<u>2,016,874</u>	<u>2,511,367</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	<u>1,840,184</u>	<u>1,603,130</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,866,600</u>	<u>\$ 4,117,749</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>	2017 Budget (Memorandum)	2017 Realized	Variance
Amount to be Raised by Taxation		\$ 524,459	\$ 523,444	\$ (1,015)
Reserve Funds		<u>100,000</u>	<u>100,000</u>	<u>-</u>
		<u>\$ 624,459</u>	623,444	<u>\$ (1,015)</u>
Non-Budget Revenue	<u>Reference</u>	B-2	<u>623</u>	
	<u>Reference</u>	B-11	<u>\$ 624,067</u>	
Analysis of Non-Budget Revenue				
Interest on Investments and Deposits		B-1	<u>\$ 623</u>	

EXHIBIT B-2

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND

	<u>Reference</u>	2017 Budget (Memorandum)	2017 Paid or Charged	Variance
Reserve for Future Use	B-11	\$ 459	\$ 1,515	\$ (1,056)
Debt Service				
Payment of Bond Principal	B-11	<u>624,000</u>	<u>624,000</u>	<u>-</u>
		<u>\$ 624,459</u>	<u>\$ 625,515</u>	<u>\$ (1,056)</u>
	<u>Reference</u>	B-1	B-11	

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 138,873	\$ 2,222,415
Due From Current Fund	C-4	43,220	-
Deferred Charges to Future Taxation:			
Funded	C-5	38,987,544	26,897,387
Unfunded	C-6	<u>20,776,285</u>	<u>27,866,169</u>
 Total Assets		 <u>\$ 59,945,922</u>	 <u>\$ 56,985,971</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	C-10	\$ 37,882,000	\$ 25,423,000
Bond Anticipation Notes Payable	C-12	12,778,000	25,700,000
Green Acres Loans Payable	C-11	1,105,544	1,474,387
Improvement Authorizations			
Funded	C-8	2,003,100	2,055,442
Unfunded	C-8	4,206,181	968,853
Contracts Payable	C-9	602,179	128,468
Due to Current Fund	C-4	-	7
Capital Improvement Fund	C-7	13,279	65,979
Reserve for Emergency Vehicles	C-13	4,240	4,240
Reserve for Road Improvements	C-14	182,250	152,250
Reserve for Green Acres Settlement	C-15	509,726	502,541
Reserve for Debt Service	C-16	120,315	
Fund Balance	C-1	<u>539,108</u>	<u>510,804</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 59,945,922</u>	 <u>\$ 56,985,971</u>

There were bonds and notes authorized but not issued at December 31, 2017 and 2016 of \$8,139,064 and \$2,491,180 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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Fund Balance, January 1	C	\$ 510,804	\$ 571,669
Increased By:			
Received from Rescue Squad	C-1		22,112
Cash Receipts	C-2	32,117	48,163
Improvement Authorizations Cancelled	C-9	124,712	
Premium on Sale of Bonds and Notes	C-2	<u>346,475</u>	<u>352,604</u>
		1,014,108	994,548
Decreased By:			
Amount Anticipated in Current Fund Budget	C-5	<u>475,000</u>	<u>483,744</u>
Fund Balance, December 31	C	<u>\$ 539,108</u>	<u>\$ 510,804</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	D-4	\$ 603,239	\$ 400,113
		<u>603,239</u>	<u>400,113</u>
Receivables With Full Reserves Consumer Accounts Receivable	D-5	<u>104,836</u>	<u>102,240</u>
		<u>104,836</u>	<u>102,240</u>
Total Assets		<u>\$ 708,075</u>	<u>\$ 502,353</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	D-3,D-6	\$ 81,827	\$ 61,096
Accounts Payable	D-7	23,240	11,588
Sewer Overpayments	D-8	<u>3,487</u>	<u>2,410</u>
		108,554	75,094
Reserve for Receivables	D	104,836	102,240
Fund Balance	D-1	<u>494,685</u>	<u>325,019</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 708,075</u>	<u>\$ 502,353</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY EXPANSION TRUST FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	D-4	\$ -	\$ 389,957
Total Assets		<u>\$ -</u>	<u>\$ 389,957</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Reserve for Sewer Expansion	D-9	\$ -	\$ 389,957
Total Liabilities, Reserves and Fund Balance		<u>\$ -</u>	<u>\$ 389,957</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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-2	\$ 81,390	\$ 57,992
Rents	D-2	1,399,471	1,388,663
Miscellaneous Revenue Anticipated	D-2	8,664	8,798
User Fees from Other Contracts	D-2	208,320	216,160
Other Credits to Income:			
Transfer from Sewer Expansion Trust Fund	D-4	172,411	
Sewer Overpayments Cancelled	D-1		107
Unexpended Balance of Appropriation Reserves	D-6	<u>9,690</u>	<u>71</u>
Total Revenues		<u>1,879,946</u>	<u>1,671,791</u>
EXPENDITURES			
Operating			
Salaries and Wages	D-3	40,000	33,000
Other Expenses	D-3	70,000	70,000
Service Fees	D-3	1,510,000	1,477,380
Deferred Charges and Statutory Expenditures	D-3	<u>8,890</u>	<u>10,612</u>
Total Expenditures		<u>1,628,890</u>	<u>1,590,992</u>
Statutory Excess to Fund Balance		251,056	80,799
FUND BALANCE, JANUARY 1	D	<u>325,019</u>	<u>302,212</u>
		576,075	383,011
Decreased by:			
Utilized by Sewer Operating Budget	D-1	<u>81,390</u>	<u>57,992</u>
FUND BALANCE, DECEMBER 31	D	<u>\$ 494,685</u>	<u>\$ 325,019</u>

**TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Reference</u>	2017 <u>Anticipated Budget</u>	2017 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	D-1	\$ 81,390	\$ 81,390	
Rents	D-1,D-5	1,340,000	1,399,471	\$ 59,471
User Fees from Other Contracts	D-1,D-4	200,000	208,320	8,320
Miscellaneous Charges	D-1,D-4	<u>7,500</u>	<u>8,664</u>	<u>1,164</u>
		<u>\$ 1,628,890</u>	<u>\$ 1,697,845</u>	<u>\$ 68,955</u>
	<u>Reference</u>	D-3		

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Appropriated		2017 Expended	
	Budget	Budget After Modification	Paid or Charged	Reserved
OPERATING				
Salaries	\$ 60,000	\$ 40,000	\$ 40,000	
Other Expenses	70,000	70,000	70,000	
Service Fees - RLSA	1,240,000	1,240,000	1,230,433	\$ 9,567
Service Fees - RTMUA	250,000	270,000	197,740	72,260
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Statutory Expenditures:				
Contribution to:				
Public Employee Retirement System	4,300	4,300	4,300	-
Social Security System (O.A.S.I.)	4,590	4,590	4,590	-
Total Water Utility Appropriations	\$ 1,628,890	\$ 1,628,890	\$ 1,547,063	\$ 81,827
	<u>Reference</u>	D-2	D-2	D
		<u>Reference</u>	<u>Paid or Charged</u>	
Cash Disbursements		D-4	\$ 1,523,823	
Accounts Payable		D-7	23,240	
			\$ 1,547,063	

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
General Fixed Assets		
Land and Land Improvements	\$ 29,555,540	\$ 29,492,565
Buildings and Building Improvements	7,306,462	7,168,022
Vehicles and Machinery and Equipment	<u>11,085,890</u>	<u>10,533,478</u>
	<u>\$ 47,947,892</u>	<u>\$ 47,194,065</u>
LIABILITIES		
Investment in General Fixed Assets	<u>\$ 47,947,892</u>	<u>\$ 47,194,065</u>

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 and Whitehouse 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, 2017 AND 2016

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, 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.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Reclassifications - Certain reclassifications may have been made to the December 31, 2016 balances to conform to the December 31, 2017 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, 2017 AND 2016

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 11th 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.

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.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

General Fixed Assets purchased after December 31, 2016 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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

Land and Buildings	Assessed Value
Machinery and Equipment	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

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

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 2017 and 2016 the Township Council increased the original budget by \$734,722 and \$265,135. The 2017 increase was funded by additional aid allotted to the Township. The 2016 increase was funded by additional aid allotted to the Township of \$80,135 as well as an emergency resolution for \$185,000. In addition, the governing body approved several budget transfers during 2017 and 2016.

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), National Credit Union Share Insurance Fund (NCUSIF), 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 or NCUSIF.

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, 2017 and 2016, the book value of the Township's deposits were \$16,158,250 and \$12,809,742 and bank and brokerage firm balances of the Township's deposits amounted to \$13,964,493 and \$13,004,305, 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>2017</u>	<u>2016</u>
Insured	\$ 13,671,224	\$ 12,713,507
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Township's name	293,269	290,798
	\$ 13,964,493	\$ 13,004,305

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (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, 2017 and 2016, the Township’s bank balances of \$293,269 and \$290,798 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized Collateral held by pledging financial institution's trust department not in the Township's name	\$ 293,269	\$ 290,798

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, 2017 and 2016, the Township had the following investments:

	<u>Fair Value</u> (Unaudited)	
	<u>2017</u>	<u>2016</u>
Investment:		
U.S. Government Securities		
Length of Service Awards Program	\$ 1,769,784	\$ 1,533,530

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2017 and 2016, \$1,769,784 and \$1,533,530 of the Township’s investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)	
	<u>2017</u>	<u>2016</u>
Uninsured and Uncollateralized	\$ 1,769,784	\$ 1,533,530

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, 2017 and 2016, the Township’s investment in Lincoln Financial, a subsidiary of Lincoln National Corporation was rated Baa1 by Moody’s Investors Services.

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, 2017 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2017</u>			
Property Taxes	\$ 569,374		\$ 569,374
Tax Title Liens	111,535		111,535
Utility Charges and Fees	-	\$ 104,836	104,836
	<u>\$ 680,909</u>	<u>\$ 104,836</u>	<u>\$ 785,745</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

In 2017, the Township collected \$702,441 and \$102,240 from delinquent taxes and utility charges and fees, which represented 87% and 100% of the delinquent tax and sewer charges receivable at December 31, 2016.

Receivables at December 31, 2016 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2016</u>			
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.

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>2017</u>		<u>2016</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		\$ 66,209	\$ 7	\$ 21,975
Grants	\$ 22,989		21,975	
General Capital Fund	<u>43,220</u>	<u>-</u>	<u>-</u>	<u>7</u>
Total	<u>\$ 66,209</u>	<u>\$ 66,209</u>	<u>\$ 21,982</u>	<u>\$ 21,982</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, 2017 AND 2016**

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>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
<u>2017</u>			
None			
	<u>Balance December 31,</u>	<u>Subsequent Year 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>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Sewer 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>2017</u>		<u>2016</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,643,140	\$ 1,852,000	\$ 1,910,910	\$ 1,756,000
Non-Cash Surplus	<u>66,639</u>	<u>-</u>	<u>743,777</u>	<u>-</u>
	<u>\$ 2,709,779</u>	<u>\$ 1,852,000</u>	<u>\$ 2,654,687</u>	<u>\$ 1,756,000</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 494,685</u>	<u>\$ 74,686</u>	<u>\$ 325,019</u>	<u>\$ 81,390</u>
	<u>\$ 494,685</u>	<u>\$ 74,686</u>	<u>\$ 325,019</u>	<u>\$ 81,390</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016.

	Balance January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land and Land Improvements	\$ 29,492,565	\$ 62,975		\$ 29,555,540
Buildings and Building Improvements	7,168,022	138,440		7,306,462
Machinery and Equipment	<u>10,533,478</u>	<u>581,801</u>	<u>\$ 29,389</u>	<u>11,085,890</u>
	<u>\$ 47,194,065</u>	<u>\$ 783,216</u>	<u>\$ 29,389</u>	<u>\$ 47,947,892</u>
	Balance January 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
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>\$ -</u>	<u>10,533,478</u>
	<u>\$ 46,093,097</u>	<u>\$ 1,100,968</u>	<u>\$ -</u>	<u>\$ 47,194,065</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 general 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>2017</u>	<u>2016</u>
Issued		
General		
Bonds, Notes and Loans	\$ 51,765,544	\$ 52,597,387
Less Funds Temporarily Held to Pay Bonds and Notes	<u>261,094</u>	<u>325,011</u>
Net Debt Issued	51,504,450	52,272,376
Authorized But Not Issued		
General		
Bonds and Notes	<u>8,139,064</u>	<u>2,491,180</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 59,643,514</u>	<u>\$ 54,763,556</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Township's revised Annual Debt Statement and indicates a statutory net debt of 1.87% and 1.76% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 59,904,608	\$ 261,094	\$ 59,643,514
Local School Debt	16,200,000	16,200,000	-
Regional School Debt	<u>2,778,906</u>	<u>2,778,906</u>	<u>-</u>
Total	<u>\$ 78,883,514</u>	<u>\$ 19,240,000</u>	<u>\$ 59,643,514</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
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>

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>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 111,100,488	\$ 109,009,373
Less: Net Debt	<u>59,643,514</u>	<u>54,763,556</u>
Remaining Borrowing Power	<u>\$ 51,456,974</u>	<u>\$ 54,245,817</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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>2017</u>	<u>2016</u>
\$11,000,000, 2011 General Improvement Bonds, due in annual installments of \$265,000 to \$470,000 through February 1, 2021, interest at 4.0% to 5.0 %	\$ 1,535,000	\$ 8,735,000
\$7,945,000, 2014 Refunding Bonds, due in annual installments of \$715,000 to \$960,000 through July 1, 2025, interest at 4.0% to 5.0%	6,890,000	7,615,000
\$9,573,000, 2015 General Improvement Bonds, due in annual installments of \$600,000 to \$1,000,000 through February 1, 2028, interest at 2.0% to 3.0%	8,523,000	9,073,000
\$14,184,000, 2017 General Improvement Bonds, due in annual installments of \$350,000 to \$700,000 through February 1, 2042, interest at 2.0% to 5.0 %	14,184,000	
\$6,750,000, 2017 Refunding Bonds, due in annual installments of \$150,000 to \$865,000 through February 1, 2031, interest at 3.0% to 5.0%	<u>6,750,000</u>	<u>-</u>
Total	<u>\$ 37,882,000</u>	<u>\$ 25,423,000</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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>2017</u>	<u>2016</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
\$1,000,000, 2002 "Incentive" Loan, due in semi-annual installments of \$29,984 to \$32,147 through 2020, interest at 2.00%	\$ 188,168	248,435
\$2,250,000, 2000 "Greenway Acquisition" Loan, due in semi-annual installments of \$71,816 to \$73,992 through 2018, interest at 1.00%	147,252	291,603
\$500,000, 2001 "Summer Road Park" Loan, due in semi-annual installments of \$14,073 to \$15,392 through 2021, interest at 1.00%	118,952	147,239
\$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	319,364	392,371
\$285,829, 2003 "NJ Infrastructure-2003 " Loan, due in semi-annual installments of \$196 to \$14,599 through 2023, interest at variable rate	87,775	103,714
\$672,696, 2004 "NJ Infrastructure-2004" Loan, due in semi-annual installments of \$414 to \$44,382 through 2024, interest at variable rate	<u>244,033</u>	<u>280,650</u>
Total	<u>\$ 1,105,544</u>	<u>\$ 1,474,387</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 is as follows:

Calendar Year	General				Total
	Bonds		Loans		
	Principal	Interest	Principal	Interest	
2018	\$ 2,059,000	\$ 1,165,987	\$ 368,798	\$ 21,905	\$ 3,615,690
2019	2,110,000	1,349,436	220,609	14,915	3,694,960
2020	2,185,000	1,275,936	219,647	10,063	3,690,646
2021	2,250,000	1,201,961	161,770	5,610	3,619,341
2022-2026	12,073,000	4,529,658	134,720	3,880	16,741,258
2027-2031	9,505,000	2,181,269			11,686,269
2032-2036	3,500,000				3,500,000
2037-2041	3,500,000				3,500,000
2042	700,000	-	-	-	700,000
Total	<u>\$ 37,882,000</u>	<u>\$ 11,704,247</u>	<u>\$ 1,105,544</u>	<u>\$ 56,373</u>	<u>\$ 50,748,164</u>

Changes in Long-Term Municipal Debt

The Township's long-term capital debt activity for the years ended December 31, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	Additions	Reductions	Balance, December 31, <u>2017</u>	Due Within One Year
<u>2017</u>					
General Capital Fund					
Bonds Payable	\$ 25,423,000	\$ 20,934,000	\$ 8,475,000	\$ 37,882,000	\$ 2,059,000
Intergovernmental Loans Payable	<u>1,474,387</u>	<u>-</u>	<u>368,843</u>	<u>1,105,544</u>	<u>368,798</u>
General Capital Fund Long-Term Liabilities	<u>\$ 26,897,387</u>	<u>\$ 20,934,000</u>	<u>\$ 8,843,843</u>	<u>\$ 38,987,544</u>	<u>\$ 2,427,798</u>

TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
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>368,843</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>\$ 1,983,843</u>

B. Short-Term Debt

The Township's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, January 1, <u>2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2017</u>
<u>2017</u>							
Acquisition of Property	06-04	2.00%	2/2/2017	\$ 20,336,073		\$ 20,336,073	
		1.25%	4/28/2017		\$13,973,000	13,973,000	
		2.25%	2/1/2018		6,278,000		\$ 6,278,000
Acquisition of Property	07-37	2.00%	2/2/2017	217,330		217,330	
		1.25%	4/28/2017		211,000	211,000	
Acquisition of Property	09-22	2.00%	2/2/2017	660,074		660,074	
		2.25%	2/1/2018		660,074		660,074
Acquisition of Property	09-23	2.00%	2/2/2017	1,490,364		1,490,364	
		2.25%	2/1/2018		1,406,413		1,406,413

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2017</u>	<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
	Acquisition of Property	09-29	2.00%	2/2/2017	\$ 236,652		\$ 236,652	
	COAH Property	09-31	2.00%	2/2/2017	71,029		71,029	
			2.25%	2/1/2018		\$ 66,621		\$ 66,621
	Acquisition of Property	12-29	2.00%	2/2/2017	72,026		72,026	
			2.25%	2/1/2018		72,026		72,026
	Acquisition of Property	14-21	2.00%	2/2/2017	406,120		406,120	
			2.25%	2/1/2018		406,750		406,750
	Various Improvements	15-4	2.00%	2/2/2017	2,210,332		2,210,332	
			2.25%	2/1/2018		2,279,998		2,279,998
	Various Improvements	16-4	2.25%	2/1/2018	-	1,608,118	-	1,608,118
					<u>\$ 25,700,000</u>	<u>\$ 26,962,000</u>	<u>\$ 39,884,000</u>	<u>\$ 12,778,000</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, January 1, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2016</u>
2016							
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
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>

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.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

Advance Refundings of Debt

On July 6, 2017, the Township issued \$6,750,000 in General Improvement Refunding Bonds having interest rates of 3.00% to 5.00%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of the General Improvement Bonds, Series 2011 of the Township. The total bond principal defeased was \$6,860,000 and the total interest payments defeased to the call date was \$1,024,687. The net proceeds of \$7,661,185 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability was removed from the General Capital Fund. This advance refunding resulted in an economic gain (difference between the present value of the old and new debt service payments) was \$585,074. The advanced refunding was undertaken to reduce total debt service payments over the next fourteen years by \$695,529.

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>2017</u>	<u>Construction</u>	<u>Estimated</u>
<u>Capital Project</u>	<u>Commitment</u>	<u>Date of</u>
		<u>Completion</u>
Potterstown Road Improvements	\$ 205,180	2018
Drainage Pipe	35,155	2018
Catch Basins and Manhole Castings	43,990	2018
Road Resurfacing	462,413	2018
Dump Truck Body Equipment	60,000	2018
Sewer Jet Cleaner	78,176	2018
Road Reclamation Project	280,800	2018
Rock Salt	145,000	2018
Dodge Chargers	78,368	2018
Gasoline and Diesel Fuel	177,258	2018
<u>2016</u>	<u>Construction</u>	<u>Estimated</u>
<u>Capital Project</u>	<u>Commitment</u>	<u>Date of</u>
		<u>Completion</u>
Road Resurfacing Project	\$ 62,400	2017

NOTE 11 OTHER LONG-TERM LIABILITIES

A. 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 \$475,405 and \$438,240 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

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 notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Township's changes in other long-term liabilities for the years ended December 31, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 438,240	\$ 37,165		\$ 475,405	
Net Pension Liability - PERS	12,818,150	-	\$ 1,787,790	11,030,360	
Net Pension Liability - PFRS	<u>13,185,333</u>	<u>-</u>	<u>2,140,542</u>	<u>11,044,791</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 26,441,723</u>	<u>\$ 37,165</u>	<u>\$ 3,928,332</u>	<u>\$ 22,550,556</u>	<u>\$ -</u>
	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 394,239	\$ 44,001		\$ 438,240	
Net Pension Liability - PERS	8,724,234	4,489,388	\$ 395,472	12,818,150	
Net Pension Liability - PFRS	<u>7,871,220</u>	<u>5,847,762</u>	<u>533,649</u>	<u>13,185,333</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 16,989,693</u>	<u>\$ 10,381,151</u>	<u>\$ 929,121</u>	<u>\$ 26,441,723</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.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The CPFPPF system is 25.75 percent funded with an unfunded actuarial accrued liability of \$5.5 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 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, 2016 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) 7.00% for investment rate of return for all the retirement systems except CPFPPF (1.00%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 7.20% for PERS and 5.50% for DCRP of employee’s annual compensation for 2017.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 for CPFPF, 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, 2017, 2016 and 2015, 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>
2017	\$ 389,699	\$ 562,780	\$ 9,410
2016	400,347	533,649	2,177
2015	395,787	480,611	1,678

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Township reported a liability of \$11,030,360 and \$12,818,150, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the Township’s proportionate share was .047384 percent, which was an increase of .004105 percent from its proportionate share measured as of June 30, 2016 of .043279 percent.

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Township’s pension expense to be \$923,740 and \$1,182,941, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Township’s financial statements of \$389,699 and \$400,347, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 259,727		\$ 238,379	
Changes of Assumptions	2,222,237	\$ 2,214,090	2,655,236	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	75,109		488,768	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	<u>917,750</u>	<u>400,965</u>	<u>262,362</u>	<u>\$ 518,068</u>
Total	<u>\$ 3,474,823</u>	<u>\$ 2,615,055</u>	<u>\$ 3,644,745</u>	<u>\$ 518,068</u>

At December 31, 2017 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>
2018	\$ 361,795
2019	491,775
2020	318,317
2021	(182,744)
2022	(129,375)
Thereafter	<u>-</u>
	<u>\$ 859,768</u>

**TOWNSHIP OF READINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Township's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, 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 (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Township's Proportionate Share of the PERS Net Pension Liability	<u>\$ 13,683,910</u>	<u>\$ 11,030,360</u>	<u>\$ 8,819,624</u>
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
Township's Proportionate Share of the PERS Net Pension Liability	<u>\$ 15,707,147</u>	<u>\$ 12,818,150</u>	<u>\$ 10,433,033</u>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2017 and 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, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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.

Police and Firemen’s Retirement System (PFRS)

At December 31, 2017 and 2016, the Township reported a liability of \$11,044,791 and \$13,185,333, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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. As of the measurement date of June 30, 2017, the Township’s proportionate share was .071542 percent, which was an increase of .002519 percent from its proportionate share measured as of June 30, 2016 of .069023 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Township pension expense to be \$1,235,914 and \$1,574,061, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Township’s financial statements of \$562,780 and \$533,649, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 71,652	\$ 64,824		\$ 86,432
Changes of Assumptions	1,361,946	1,808,814	\$ 1,826,277	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	210,760		923,870	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	815,809	-	663,833	-
Total	<u>\$ 2,460,167</u>	<u>\$ 1,873,638</u>	<u>\$ 3,413,980</u>	<u>\$ 86,432</u>

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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)

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ 362,163
2019	562,972
2020	199,159
2021	(360,143)
2022	(177,622)
Thereafter	<u>-</u>
	<u>\$ 586,529</u>

Actuarial Assumptions

The Township’s total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
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, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2057
Municipal Bond Rate *	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, respectively, 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 (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,552,422</u>	<u>\$ 11,044,791</u>	<u>\$ 8,162,874</u>
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 17,001,520</u>	<u>\$ 13,185,333</u>	<u>\$ 10,073,462</u>

The sensitivity analysis was based on the proportionate share of the Township’s net pension liability at December 31, 2017 and 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, 2017 AND 2016**

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 of the net pension liability, deferred outflows and inflows 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, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$1,237,110 and \$1,107,241, respectively. For the years ended December 31, 2017 and 2016, 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 \$151,236 and \$141,421, respectively, which is less than the actual contributions the State made on behalf of the Township of \$61,861 and \$42,426, 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.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 580 state and local participating employers and contributing entities for Fiscal Year 2017.

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.

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.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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, 2016, the most recent actuarial valuation date, the State had a \$85.4 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$25.5 billion for state active and retired members, \$16.1 billion for local active and retired members and \$43.8 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.

Actuarial Methods and Assumptions

In the July 1, 2016 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, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 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 \$184.6 million for 10,994 eligible retired members for Fiscal Year 2017. This benefit covers the Police and Firemen's Retirement System.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

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 \$52.1 million in Fiscal Year 2017 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, 2017, 2016 and 2015 were \$714,734, \$653,449 and \$574,406, 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.

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.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 14 RISK MANAGEMENT (Continued)

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>
2017	\$ 17,151	\$ 1,658	\$ 61,523
2016	179	14,979	46,030
2015	7,171	1,997	60,830

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, except as noted below. The opinion of the Township’s Attorney regarding the potential claims against the Township not covered by insurance policies is described below.

Pending Litigation

- *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 balance in the escrow account at the date of audit is \$20,094,727. 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. Based on prior appraisals, it is anticipated that if the judgement in favor of the plaintiff is reversed, and the Township is permitted to condemn the subject property, there should be adequate funds on deposit with the Superior Court to fund any condemnation award that may be entered. However, if the scope of the condemnation is expanded, altered or modified, the amount of funds necessary to accomplish the condemnation may have to be re-evaluated in the future. 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.
- 388 Rt. 22 Readington Realty Holdings, LLC v. Township of Readington, et al.- Superior Court of NJ Docket-NO. HNT-L-751-103
 - A) 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 attorney’s fees in undisclosed amounts. The plaintiff claimed the Township’s sewer ordinance was invalid and that the Township wrongfully denied it sewer capacity.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Litigation (Continued)

B) 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 us by others including the plaintiff. 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. Following the Court's decision, the Township and Plaintiff entered into settlement negotiations in an attempt to resolve the remaining issues, but were ultimately unsuccessful. The court then bifurcated the remaining claims and scheduled trial for adjudication, first on the issue of attorney's fees (accrued from inception of the case in 2010 to date) and deferred trial on damages to later date.

The trial on attorneys fees was held on December 11, 2017 and by decision dated January 12, 2018 and an Order entered on February 2, 2018, the court awarded Plaintiff \$989,076.63 in attorneys fees. That Order was stayed by subsequent Order entered March 19, 2018 with the awarded fees to be held in escrow pending further order of the court.

As of this date, both parties have filed motions. Plaintiff filed a motion for reconsideration granting the stay of the payment of attorney fees and Defendant has filed a motion for reconsideration of the summary judgment granting Plaintiff's civil rights claims. Both motions are now returnable July 20, 2018. As to the damages claim, the parties are in the discovery phase and trial is expected to occur sometime after the end of the summer. A case management conference has been stayed pending the outcome of the motions.

C) The Township continues to defend the matter aggressively. Efforts are currently underway to seek reconsideration of the court's February 2017 decision on summary judgment and an evaluation of appealable issues on the court's decision to date. Additionally, the Township continues to evaluate settlement potential with Plaintiff, but the parties remain apart on the terms.

D) As evidence by the adverse rulings to date, including the determinations made by the Supreme Court in its 2015 decision, the likelihood of a successful defense at the trial court level is constrained. The Township continues to evaluate grounds for appeal and if settlement is not achieved, anticipated filing an appeal upon entry of final judgement. The Township is currently negotiating with its insurance company with respect to coverage issues concerning this case.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. 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 material. As of December 31, 2017 and 2016, 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 in excess of the reserve balance would be provided for in succeeding years' budget, from fund balance and/or a refunding bond ordinance.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 15 CONTINGENT LIABILITIES (Continued)

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, 2017 and 2016, 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.

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, 2017 and 2016, 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 Award 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 Award 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 Whitehouse 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 2017 and 2016, respectively, for each eligible volunteer member into the Plan. The total Township contributions were \$70,400 and \$68,800 for 2017 and 2016, 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.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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.

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

Serial Bonds

On May 7, 2018 the Township adopted a resolution for the issuance of \$6,278,000 General Improvement Bonds for the purpose of funding various capital improvements. On April 12, 2018 the Township awarded the sale of said bonds to Roosevelt and Cross Inc. at interest rates of 3.0 to 5.0%. These bonds dated March 1, 2018 will mature over 20 years with the first maturity due March 1, 2019.

Bond Anticipation Notes

The Township issued bond anticipation notes in the amount of \$13,600,000 and \$6,278,000 to temporarily finance expenditures related to various capital projects. The terms and conditions of the bond anticipation notes are as follows:

- Series 2018A in the amount of \$13,600,000 have been awarded to Morgan Stanley & Co., LLC at an interest rate of 2.0%. These notes are dated January 30, 2018 and will mature on January 29, 2019.
- Series 2018B in the amount of \$6,278,000 have been awarded to TD Securities (USA) LLC at an interest rate of 1.5%. These notes are dated January 30, 2018 and did mature on May 1, 2018 and were funded with General Improvement bonds.

Debt Authorized

The Township has adopted two bond ordinances for certain improvements authorizing \$1,862,950 of bonds and/or notes. As of the date of audit no bonds or notes have been issued.

CURRENT FUND

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

Balance, January 1, 2017		\$ 7,681,988
Increased by:		
Taxes Receivable	\$ 74,506,813	
State of NJ Senior Citizens' and Veterans' Deductions	120,956	
Miscellaneous Revenues Not Anticipated	285,295	
Revenue Accounts Receivable	2,535,218	
Petty Cash Advanced	200	
Tax Overpayments	580,403	
Prepaid Taxes	4,994,110	
Federal and State Grants Received in Current Fund	100,658	
Reserve for Sale of Assets	2,136	
Reserve for Tax Sale Premiums	330,900	
Reserve for Outside Tax Liens	293,953	
Receipts from Animal Control Fund	41	
Receipts from Other Trust Fund	3,789	
Receipts Due to General Capital Fund	43,273	
Receipts from General Capital Fund	491,904	
Receipts from Sewer Expansion Trust Fund	175,000	
Budget Refunds	860,620	
Miscellaneous Fees Payable	<u>40,650</u>	
		<u>85,365,919</u>
		93,047,907
Decreased by Disbursements:		
2017 Budget Appropriations	17,478,814	
2016 Appropriation Reserves	516,730	
Tax Overpayments	66,772	
County Taxes	12,028,687	
Local District School Taxes	29,299,293	
Regional High School Taxes	18,681,639	
Municipal Open Space Taxes Payable	523,444	
Appropriated Grant Reserves Paid by Current Fund	99,286	
Reserve for Encumbrances - Grants Fund Paid by Current Fund	358	
Petty Cash Returned	200	
Reserve for Tax Sale Premiums	226,700	
Reserve for Outside Tax Liens	293,953	
Miscellaneous Fees Payable	42,494	
Refund of Prior Year Revenue	<u>465</u>	
		<u>79,258,835</u>
Balance, December 31, 2017		<u>\$ 13,789,072</u>

**TOWNSHIP OF READINGTON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, <u>2017</u>	Balance, December 31, <u>2017</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>2017</u>	Returned in <u>2017</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, 2017		\$ 58,034
Increased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billings - 2017	\$ 121,000	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - 2017	<u>9,586</u>	
		<u>130,586</u>
		188,620
Decreased by:		
Received in Cash from State	120,956	
Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector - 2017	<u>1,025</u>	
		<u>121,981</u>
Balance, December 31, 2017		<u>\$ 66,639</u>

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

Year	Balance, January 1,	2017 Levy	Senior Citizens and Veterans Deductions Disallowed	Collected in Cash		Tax Overpayments Applied	Senior Citizens and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31,
	2017		2016	2017						2017
2016	\$ 702,441			\$ 702,441						\$ -
2017	<u>-</u>	\$ 75,061,553	1,025	\$ 412,759	73,804,372	\$ 116,092	\$ 130,586	\$ 3,063	\$ 26,332	<u>569,374</u>
	<u>\$ 702,441</u>	<u>\$ 75,061,553</u>	<u>\$ 1,025</u>	<u>\$ 412,759</u>	<u>\$ 74,506,813</u>	<u>\$ 116,092</u>	<u>\$ 130,586</u>	<u>\$ 3,063</u>	<u>\$ 26,332</u>	<u>\$ 569,374</u>

Analysis of 2017 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 74,920,571
Added Taxes (54:4-63.1 et seq.)	<u>140,982</u>
	<u>\$ 75,061,553</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 29,299,293
Regional High School Tax (Abstract)	18,681,639
Municipal Open Space Taxes	523,444
County Taxes	\$ 9,993,776
Due County for Added Taxes (54:4-63.1 et seq)	22,494
County Library Taxes	1,000,485
County Open Space Taxes	<u>973,060</u>
	11,989,815
Local Tax for Municipal Purposes	14,445,980
Add Additional Tax Levied	<u>121,382</u>
	<u>14,567,362</u>
	<u>\$ 75,061,553</u>

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

Balance, January 1, 2017	\$ 108,472
Increased by:	
Transferred from Current Year Taxes	3,063
Balance, December 31, 2017	\$ 111,535

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2017</u>	Accrued in 2017	Collected in 2017	Balance, December 31, <u>2017</u>
Township Clerk				
Licenses				
Alcoholic Beverages		\$ 20,382	\$ 20,382	
Fees and Permits		35,809	35,809	
Board of Health/Registrar of Vital Statistics				
Fees and Permits		51,842	51,842	
Department of Public Works				
Fees and Permits		12,080	12,080	
Fire Prevention				
Fees and Permits		49,106	49,106	
Police				
Fees and Permits		3,696	3,696	
Planning & Zoning Boards				
Fees and Permits		23,669	23,669	
Municipal Court				
Fines and Costs	\$ 8,372	116,974	119,007	\$ 6,339
Interest and Costs on Taxes		192,209	192,209	
Interest on Investments and Deposits		25,687	25,687	
Energy Receipts Taxes		1,421,711	1,421,711	
Garden State Trust Fund		3,962	3,962	
Uniform Construction Code Fees		497,896	497,896	
Housing Trust Fund Balance		50,000	50,000	
Uniform Safety Act	-	28,162	28,162	-
	\$ 8,372	\$ 2,533,185	\$ 2,535,218	\$ 6,339

TOWNSHIP OF READINGTON
STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance, January 1, <u>2017</u>	Encumbrances <u>Restored</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration					
Salaries and Wages	\$ 60		\$ 60		\$ 60
Other Expenses					
Elections	1,468		1,468		1,468
Miscellaneous Other Expenses	926	\$ 2,717	3,643	\$ 3,442	201
Mayor and Committee					
Salaries and Wages	2,046		2,046		2,046
Financial Administration					
Salaries and Wages	9,160		9,160		9,160
Other Expenses	2,037	187	2,224	551	1,673
Revenue Administration					
Salaries and Wages	9		9		9
Other Expenses	3,770		3,770		3,770
Assessment of Taxes					
Salaries and Wages	87		87		87
Other Expenses					
Revision of Tax Map	10,877		10,877		10,877
Miscellaneous Other Expenses	4,891		4,891		4,891
Legal Services and Costs					
Other Expenses		240,792	240,792	240,759	33
Engineering Services and Costs -					
Other Expenses	381		381		381
Museum Committee					
Salaries and Wages	15,376		15,376		15,376
Other Expenses	3,027	2,533	5,560	3,663	1,897
Historical Preservation					
Other Expenses	2,496		2,496		2,496
Planning Board					
Salaries and Wages	30		30		30
Other Expenses	805	312	1,117	327	790
Board of Adjustment					
Salaries and Wages	158		158		158
Other Expenses	437	133	570	152	418
Environmental Health Commission					
Other Expenses					
Consultants	3,158		3,158	3,083	75
Miscellaneous Other Expenses	1,520	2,000	3,520	2,000	1,520
Police					
Salaries and Wages	36,200		36,200		36,200
Other Expenses	4,816	37,958	42,774	39,506	3,268
Patrol of School Crossing					
Salaries and Wages	3,563		3,563		3,563
Fire					
Equipment for Volunteer Fire Co.	17,468	3,931	21,399	21,328	71
Training Fire Department Personnel	2,158	1,915	4,073	4,070	3
Supplemental Fire Service Program					
Other Expenses	2,582	390	2,972	2,465	507
First Aid Equipment	7,660	7,206	14,866	14,865	1
Emergency Management					
Salaries and Wages	21		21		21
Other Expenses	2,706		2,706		2,706
Uniform Fire Safety					
Salaries and Wages	129		129		129
Other Expenses	3,446	150	3,596	750	2,846
Road, Repairs and Maintenance					
Salaries and Wages	47,979		47,979		47,979
Other Expenses	20,122	38,537	58,659	47,174	11,485
Snow Removal					
Other Expenses	24,975		24,975	19,059	5,916
Buildings and Grounds					
Salaries and Wages	91		91		91
Other Expenses	967		967		967
Waste Collection/Recycling					
Salaries and Wages					
Other Expenses	42,141	60	42,201	39,639	2,562
Board of Health					
Salaries and Wages	1,027		1,027		1,027
Other Expenses	5,735	16	5,751	422	5,329

**TOWNSHIP OF READINGTON
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, January 1, <u>2017</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	\$ 99		\$ 99		\$ 99
Other Expenses	1,023	\$ 163	1,186	\$ 460	726
Recreation					
Salaries and Wages	227		227		227
Other Expenses	5,236	4,734	9,970	4,493	5,477
Senior Citizens Transportation					
Other Expenses	9,000		9,000		9,000
Expense in Participation of Free County Library					
Salaries and Wages	1,489		1,489		1,489
Other Expenses	441	100	541	496	45
Celebration of Public Events					
Other Expenses	349		349		349
Construction Code Official					
Salaries and Wages	102		102		102
Other Expenses	8,293	22,496	30,789	26,361	4,428
Utilities					
Fire Hydrant Services	8,837		8,837	7,363	1,474
Electricity	19,533		19,533	9,366	10,167
Street Lighting	15,442		15,442		15,442
Telephone	6,093		6,093	1,214	4,879
Gasoline	38,776		38,776	11,736	27,040
Public Defender					
Other Expenses	451		451		451
Cost of PEOSHA Requirement					
Other Expenses	14,851	10,827	25,678	25,483	195
Municipal Prosecutor's Office					
Other Expenses	5,656		5,656	5,640	16
Municipal Court					
Salaries and Wages	27		27		27
Other Expenses	49	949	998	949	49
Social Security System	43,123		43,123	4,466	38,657
Unemployment	2,202		2,202		2,202
LOSAP	9,400		9,400		9,400
Insurance					
General Liability	10,146		10,146	-	10,146
Employee Group Health	106,904	630	107,534	1,848	105,686
Contingent	1,680	-	1,680	-	1,680
	<u>\$ 595,934</u>	<u>\$ 378,736</u>	<u>\$ 974,670</u>	<u>\$ 543,130</u>	<u>\$ 431,540</u>

Appropriation Reserves	\$ 595,934
Transferred from Reserve for Encumbrances	<u>378,736</u>
	<u>\$ 974,670</u>

Cash Disbursements	\$ 516,730
Reserve for Encumbrances	<u>26,400</u>
	<u>\$ 543,130</u>

**TOWNSHIP OF READINGTON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2017		\$ 409,651
Increased by:		
Charges to 2016 Appropriation Reserves	\$ 26,400	
Charges to 2017 Budget Appropriations	<u>356,969</u>	
		<u>383,369</u>
		793,020
Decreased by:		
Restored to Appropriation Reserves		<u>378,736</u>
Balance, December 31, 2017		<u>\$ 414,284</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2017		\$ 412,759
Increased by:		
Collection - 2018 Taxes		<u>4,994,110</u>
		5,406,869
Decreased by:		
Application to 2017 Taxes Receivable		<u>412,759</u>
Balance, December 31, 2017		<u>\$ 4,994,110</u>

**TOWNSHIP OF READINGTON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2017		\$ 178,363
Increased by:		
Cash Receipts		<u>580,403</u>
		758,766
Decreased by:		
Applied to Current Year Taxes	\$ 116,092	
Cash Disbursements	<u>66,772</u>	
		<u>182,864</u>
Balance, December 31, 2017		<u>\$ 575,902</u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2017		\$ 61,366
Increased by:		
2017 Tax Levy	\$ 9,993,776	
Library Taxes	1,000,485	
Open Space Taxes	973,060	
2017 Added Taxes (54:4-63.1 et seq.)	<u>22,494</u>	
		<u>11,989,815</u>
		12,051,181
Decreased by:		
Payments		<u>12,028,687</u>
Balance, December 31, 2017		<u>\$ 22,494</u>

STATEMENT OF SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year		<u>\$ 29,299,293</u>
Decreased by:		
Payments		<u>\$ 29,299,293</u>

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

Balance, January 1, 2017	\$	3,052,130
Increased by:		
Levy - Calendar Year		<u>18,681,639</u>
		21,733,769
Decreased by:		
Payments		<u>18,681,639</u>
Balance, December 31, 2017	\$	<u>3,052,130</u>

STATEMENT OF MISCELLANEOUS FEES PAYABLE

	Balance, January 1, <u>2017</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2017</u>
Due State - Marriage License Fees	\$ 475	\$ 2,825	\$ 2,850	\$ 450
Due State - DCA Training Fees	10,661	31,600	35,769	6,492
Due County - Food Inspections	<u>3,825</u>	<u>6,225</u>	<u>3,875</u>	<u>6,175</u>
	<u>\$ 14,961</u>	<u>\$ 40,650</u>	<u>\$ 42,494</u>	<u>\$ 13,117</u>

STATEMENT OF RESERVE FOR MASTER PLAN

Balance, January 1, 2017	\$	<u>76,514</u>
Balance, December 31, 2017	\$	<u>76,514</u>

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

Balance, January 1, 2017	\$ 500,743
Decreased by:	
Budget Appropriation	<u>500,743</u>
Balance, December 31, 2017	<u>\$ -</u>

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

		<u>Balance,</u> <u>January 1,</u> <u>2017</u>	<u>Accrued</u>	<u>Decreased by</u> <u>Cash Receipts</u> <u>Collected by</u> <u>Current Fund</u>	<u>Balance,</u> <u>December 31,</u> <u>2017</u>
Clean Communities Program	\$		53,621	\$ 53,621	
Body Armor Grant			2,348	2,348	
Click it or Ticket			1,815	1,815	
Drunk Driving Enforcement Fund			13,204	13,204	
Distracted Driver			5,500	5,500	
Alcohol Education & Rehabilitation			4,504	4,504	
Sustainable Jersey	\$	5,000		5,000	
391-H Grant Watershed			650,000	14,666	\$ 635,334
Tarentino Police Grant		-	3,730	-	3,730
	\$	<u>5,000</u>	<u>\$ 734,722</u>	<u>\$ 100,658</u>	<u>\$ 639,064</u>

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

	Balance, January 1, <u>2017</u>	Transferred from 2017 <u>Appropriations</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
Clean Communities Program		\$ 53,621	\$ 53,621	
Drunk Driving Enforcement Fund	\$ 11,288	13,204	8,860	\$ 15,632
Body Armor Grant	2,344	2,348	2,344	2,348
Click it or Ticket	-	1,815	1,815	-
Trails Grant NJDEP	1,330		183	1,147
Alcohol Education & Rehabilitation	10,224	4,504	363	14,365
Sustainable Jersey	631		631	-
NJ Environmental Commission - ANJEC	800			800
Distracted Driver		5,500	5,500	-
391-H Grant Watershed		650,000	23,972	626,028
Tarentino Police Grant	-	3,730	2,426	1,304
	<u>\$ 26,617</u>	<u>\$ 734,722</u>	<u>\$ 99,715</u>	<u>\$ 661,624</u>
Cash Disbursements Paid by Current Fund			\$ 99,286	
Reserve for Encumbrances			<u>429</u>	
			<u>\$ 99,715</u>	

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

Balance, January 1, 2017		\$	21,975
Increased by:			
Grant Receipts Collected by Current Fund			<u>100,658</u>
			122,633
Decreased by:			
Grant Disbursements Paid by Current Fund			
Appropriated Grant Reserves	\$	99,286	
Grant Encumbrances		<u>358</u>	
			<u>99,644</u>
Balance, December 31, 2017		\$	<u><u>22,989</u></u>

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

Balance, January 1, 2017	\$ 11,873
Increased by:	
Cash Receipts	<u>2,136</u>
Balance, December 31, 2017	<u>\$ 14,009</u>

STATEMENT OF RESERVE FOR TAX SALE PREMIUMS

Balance, January 1, 2017	\$ 628,200
Increased by:	
Cash Receipts	<u>330,900</u>
	959,100
Decreased by:	
Cash Disbursements	<u>226,700</u>
Balance, December 31, 2017	<u>\$ 732,400</u>

STATEMENT OF RESERVE FOR OUTSIDE TAX LIENS

Increased by:	
Cash Receipts	<u>\$ 293,953</u>
Decreased by:	
Cash Disbursements	<u>\$ 293,953</u>

STATEMENT OF RESERVE FOR TAX APPEALS PENDING

Balance, January 1, 2017	<u>\$ 308,002</u>
Balance, December 31, 2017	<u>\$ 308,002</u>

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

Balance, January 1, 2017	\$ 185,000
Decreased by:	
Budget Appropriation	<u>185,000</u>
Balance, December 31, 2017	<u>\$ -</u>

**STATEMENT OF ENCUMBRANCES PAYABLE
GRANTS FUND**

Balance, January 1, 2017	\$ 358
Increased by:	
Charges to Appropriated Grant Reserves	<u>429</u>
	787
Decreased by:	
Cash Disbursements	<u>358</u>
Balance, December 31, 2017	<u>\$ 429</u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE

Increased by:		
2017 Tax Levy	\$ 522,459	
2017 Added Taxes (54:4-63.1 et seq.)	<u>985</u>	
		<u>\$ 523,444</u>
Decreased by:		
Payments		<u>\$ 523,444</u>

TRUST FUND

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

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2017	\$ 3,252	\$ 2,111,367
Increased by Receipts:		
Miscellaneous Reserves		\$ 6,070,491
Interest Earned	\$ 41	3,789
Prepaid Dog Licenses	8,659	
Due to State of New Jersey	3,793	
Dog License Fees/Cat/Late Fees	<u>39,826</u>	<u>-</u>
	<u>52,319</u>	<u>6,074,280</u>
	55,571	8,185,647
Decreased by Disbursements:		
Due to State of New Jersey	3,205	6,631
Expenditures Under (RS 4:19-15.11)	42,783	
Payments to Current Fund	41	3,789
Miscellaneous Reserves	<u>-</u>	<u>6,558,353</u>
	<u>46,029</u>	<u>6,568,773</u>
Balance, December 31, 2017	<u>\$ 9,542</u>	<u>\$ 1,616,874</u>

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

Balance, January 1, 2017		\$ 352
Increased by:		
Dog License Fees Collected in 2017	\$ 34,928	
Prepaid Licenses Applied	2,622	
Late Fees	4,804	
Miscellaneous	94	
		42,448
		42,800
Decreased by:		
Cash Disbursements		42,783
Balance, December 31, 2017		\$ 17

**STATEMENT OF PREPAID LICENSES
ANIMAL CONTROL FUND**

Balance, January 1, 2017		\$ 2,622
Increased by:		
2018 License Fees Collected		8,659
		11,281
Decreased by:		
Applied in 2017		2,622
Balance, December 31, 2017		\$ 8,659

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

Balance, January 1, 2017		\$ 278
Increased by:		
State Fees Collected in 2017		3,793
		4,071
Decreased by:		
Payments to State of New Jersey		3,205
Balance, December 31, 2017		\$ 866

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

Increased by:	
Interest Earned	\$ 41
Decreased by:	
Payments to Current Fund	<u>41</u>
Balance, December 31, 2017	<u><u>\$ -</u></u>

**STATEMENT OF ACCOUNTS RECEIVABLE
OTHER TRUST FUND**

Balance, January 1, 2017	\$ 400,000
Balance, December 31, 2017	<u><u>\$ 400,000</u></u>

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

Increased by:		
Interest Earned		\$ 3,789
Decreased by:		
Payments to Current Fund		<u>3,789</u>
Balance, December 31, 2017		<u>\$ -</u>

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

Balance, January 1, 2017		\$ 6,631
Decreased by:		
Cash Disbursements		<u>6,631</u>
Balance, December 31, 2017		<u>\$ -</u>

TOWNSHIP OF READINGTON
STATEMENT MISCELLANEOUS RESERVES - OTHER TRUST FUND

	Balance, January 1, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2017</u>
Open Space	\$ 141,286	\$ 524,067	\$ 625,515	\$ 39,838
Unemployment	46,030	17,151	1,658	61,523
General:				
Hunting Escrow	3,288		3,288	-
Police Escrow	34,434	154,550	163,340	25,644
Police Donations	20		20	-
Public Defender	15,142	8,320	9,000	14,462
Parking Offenses Adjudication Act Assistance	74	6	6	74
Library	8,401		8,401	-
Rent Security	13,097	1,900	1,083	13,914
Museum	6,327		6,327	-
Trail Association	49,944	3,532	2,000	51,476
Length of Service Awards Program	1,500		1,500	-
Board of Health Escrow	3,582		3,582	-
Housing:	181,317	32,390	16,549	197,158
Deposits	367,871	208,066	405,036	170,901
Loans Receivable	400,000			400,000
COAH	2,077	1	36	2,042
Developers Escrow	969,395	348,450	506,201	811,644
Recreation	47,735	616,199	643,865	20,069
Driveway Apron/Maintenance	146,434	10,364	2,409	154,389
Payroll Deduction	64,417	4,132,079	4,143,239	53,257
Flexible Spending	347	13,413	13,298	462
Forfeited Funds	2,018	3	2,000	21
	<u>2,018</u>	<u>3</u>	<u>2,000</u>	<u>21</u>
 Total	 <u>\$ 2,504,736</u>	 <u>\$ 6,070,491</u>	 <u>\$ 6,558,353</u>	 <u>\$ 2,016,874</u>

GENERAL CAPITAL FUND

TOWNSHIP OF READINGTON
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, January 1, 2017		\$ 2,222,415
Increased by Receipts:		
Bond Anticipation Notes	\$ 1,678,416	
Serial Bonds Issued	14,184,000	
Capital Improvement Fund - Budget Appropriation	35,000	
Reserve for Road Improvements	30,000	
Green Acres Settlement Cash Receipt	7,185	
Premium on Sale of Bonds and Notes	346,475	
Receipts from Housing Trust Fund	245,000	
Receipts from County Open Space Trust Fund	70,514	
Receipts from Sewer Expansion Trust Fund	180,000	
Receipts from Reserve for Debt Service	77,042	
Cash Receipts - Fund Balance	32,117	
Interest Earned	<u>16,950</u>	
		<u>16,902,699</u>
		19,125,114
Decreased by Disbursements:		
Bond Anticipation Notes	14,509,013	
Improvement Authorizations	3,838,111	
Contracts Payable	128,468	
Payments to Current Fund	491,904	
Payments to Housing Trust Fund	<u>18,745</u>	
		<u>18,986,241</u>
Balance, December 31, 2017		<u>\$ 138,873</u>

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

	Balance, December 31, <u>2017</u>
Fund Balance	\$ 539,108
Capital Improvement Fund	13,279
Contracts Payable	602,179
Reserve for Emergency Vehicles	4,240
Due from Current Fund	(43,220)
Reserve for Road Improvements	182,250
Reserve for Green Acres Settlement	509,726
Reserve for Payment of Debt	120,315
Excess Note Proceeds - Ordinance 15-4	140,779
Improvement <u>Authorizations:</u>	
03-24/04-27 Acquisition of Property - O'Urso	(805,224)
05-21/06-33 Various Capital Improvements	113,751
05-22/14-19 Various Capital Improvements	850,392
06-41 Various Capital Improvements	74,075
14-11 Various Capital Improvements	605,347
15-10 Acquisition of Affordable Housing Unit	135,000
16-4 Various Capital Improvements	184,065
17-07 Various Capital Improvements	(1,265,221)
17-08 Acquisition of Sewer Capacity	(1,400,000)
17-09 Acquisition of Sewer Capacity	(646,503)
17-10 Acquisition of Property	153,000
17-12 Acquisition of Property - Affordable Housing	36,535
17-15 Acquisition of Property - Affordable Housing	<u>35,000</u>
	 <u>\$ 138,873</u>

**TOWNSHIP OF READINGTON
STATEMENT OF DUE TO/(FROM) CURRENT FUND
GENERAL CAPITAL FUND**

Balance, January 1, 2017 (Due To)		\$ 7
Increased by:		
Fund Balance Anticipated as Current Fund Revenue	\$ 475,000	
Interest Earned	<u>16,950</u>	
		<u>491,950</u>
		491,957
Decreased By:		
Receipts Due from Current Fund	43,273	
Cash Payments to Current Fund	<u>491,904</u>	
		<u>535,177</u>
Balance, December 31, 2017 (Due From)		<u>\$ (43,220)</u>

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

Balance, January 1, 2017		\$ 26,897,387
Increased by:		
Refunding Bonds Issued	\$ 6,750,000	
General Improvement Bonds Issued	<u>14,184,000</u>	
		<u>20,934,000</u>
		47,831,387
Decreased by:		
Bonds Refunded	\$ 6,860,000	
Current Fund Budget Appropriations:		
Serial Bonds Payable	1,615,000	
Loans Paid	<u>368,843</u>	
		<u>8,843,843</u>
Balance, December 31, 2017		<u>\$ 38,987,544</u>

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

Ord. No.	General Improvements	Balance January 1, 2017	2017 Authorizations	Cancelled	Notes Paid By Budget Appropriation	Serial Bonds Issued	Balance, December 31, 2017	Bond Anticipation Notes Issued	Analysis of Balance, December 31, 2017		Unexpended Improvement Authorizations
									Excess Proceeds	Expenditures	
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	20,336,073			\$ 85,073	\$ 13,973,000	6,278,000	\$ 6,278,000			
07-37	Acquisition of Conservation Easement - CSEPI	217,330			6,330	211,000	-				
09-22	Acquisition of Property	660,074					660,074	660,074			
09-23	Acquisition of Property	1,406,413					1,406,413	1,406,413			
09-31	Acquisition of Property - Affordable Housing	66,621					66,621	66,621			
12-29	Acquisition of Property - Yard/Smith	72,026					72,026	72,026			
14-21	Acquisition of Property - Affordable Housing	406,750					406,750	406,750			
15-4	Various Improvements	2,280,000		\$ 140,781			2,139,219	2,279,998	(140,779)		
16-04	Various Capital Improvements	1,615,100					1,615,100	1,608,118			6,982
17-06	Refunding Bond		\$ 7,800,000	7,800,000			-				
17-07	Various Capital Improvements		1,666,300				1,666,300			1,265,221	401,079
17-08	Acquisition of Sewer Capacity		1,400,000				1,400,000			1,400,000	
17-09	Acquisition of Sewer Capacity		3,420,000				3,420,000			646,503	2,773,497
17-12	Acquisition of Property - Affordable Housing	-	840,000	-	-	-	840,000	-	-	-	840,000
		<u>\$ 27,866,169</u>	<u>\$ 15,126,300</u>	<u>\$ 7,940,781</u>	<u>\$ 91,403</u>	<u>\$ 14,184,000</u>	<u>\$ 20,776,285</u>	<u>\$ 12,778,000</u>	<u>\$ (140,779)</u>	<u>\$ 4,116,948</u>	<u>\$ 4,022,116</u>
											Improvement Authorizations-Unfunded \$ 4,206,181
											Less: Unexpended Proceeds of Bond Anticipation Notes Ord. 16-4 \$ 184,065
											<u>184,065</u>
											<u>\$ 4,022,116</u>

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

Balance, January 1, 2017	\$ 65,979
Increased by:	
Budget Appropriation - Capital Improvement Fund	<u>35,000</u>
	100,979
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>87,700</u>
Balance, December 31, 2017	<u>\$ 13,279</u>

**TOWNSHIP OF READINGTON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Balance, January 1, 2017		2017 Authorizations							Balance, December 31, 2017	
		Funded	Unfunded	Capital Improvement Fund	Reserve for Housing Trust	Reserve for Sewer Expansion	Reserve for County Open Space	Deferred Charges Unfunded	Expended	Cancelled	Funded	Unfunded
05-21/06-33	Various Capital Improvements	\$ 191,927							\$ 78,176		\$ 113,751	
05-22/14-19	Various Capital Improvements	856,081	\$ 558						5,689		850,392	\$ 558
06-41	Various Capital Improvements	74,349							274		74,075	
09-15	Various Capital Improvements	49,281							49,281			
09-31	Acquisition of Property - Affordable Housing											
11-09	Various Capital Improvements	124,712								\$ 124,712		
14-11	Various Capital Improvements	605,347									605,347	
14-12	Refunding Bonds											
14-17	Acquisition of Property - Affordable Housing	18,745								18,745		
14-21	Acquisition of Property - Fallone											
15-4	Various Improvements		260,748						119,967	140,781		
15-10	Acquisition of Affordable Housing Unit	135,000									135,000	
16-04	Various Capital Improvements		707,547						516,500			191,047
17-06	Refunding Bonds							\$ 7,800,000		7,800,000		
17-07	Various Capital Improvements			\$ 87,700				1,666,300	1,352,921			401,079
17-08	Acquisition of Sewer Capacity							1,400,000	1,400,000			
17-09	Acquisition of Sewer Capacity					\$ 180,000		3,420,000	826,503			2,773,497
17-10	Acquisition of Property				\$ 160,000				7,000		153,000	
17-11	Acquisition of Easement						\$ 70,514		70,514			
17-12	Acquisition of Property - Affordable Housing					50,000		840,000	13,465		36,535	840,000
17-15	Acquisition of Property - Affordable Housing					35,000					35,000	
		<u>\$ 2,055,442</u>	<u>\$ 968,853</u>	<u>\$ 87,700</u>	<u>\$ 245,000</u>	<u>\$ 180,000</u>	<u>\$ 70,514</u>	<u>\$ 15,126,300</u>	<u>\$ 4,440,290</u>	<u>\$ 8,084,238</u>	<u>\$ 2,003,100</u>	<u>\$ 4,206,181</u>

Cash Disbursements \$ 3,838,111
 Contracts Payable 602,179
\$ 4,440,290

Capital Fund Balance \$ 124,712
 Due to Housing Trust Fund 18,745
 Deferred Charges to Future Taxation - Unfunded 7,940,781
\$ 8,084,238

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

Balance, January 1, 2017	\$ 128,468
Increased by:	
Charges to Improvement Authorizations	<u>602,179</u>
	730,647
Decreased by:	
Cash Disbursements	<u>128,468</u>
Balance, December 31, 2017	<u>\$ 602,179</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, 2017	Increased	Decreased	Balance, December 31, 2017
			Date	Amount					
General Improvement Bonds	1/18/2011	\$ 11,000,000	2/1/2018	\$ 380,000	4.000%	\$ 8,735,000		\$ 7,200,000	\$ 1,535,000
			2/1/2019	420,000	4.000%				
			2/1/2020	470,000	5.000%				
			2/1/2021	265,000	5.000%				
Refunding Bonds	6/26/2014	7,945,000	7/1/2018	720,000	4.000%	7,615,000		725,000	6,890,000
			7/1/2019	715,000	4.000%				
			7/1/2020	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	2/1/2018	600,000	2.000%	9,073,000		550,000	8,523,000
			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%				
			General Improvement Bonds	4/27/2017	14,184,000				
2/15/2019	350,000	3.000%							
2/15/2020	350,000	4.000%							
2/15/2021	350,000	4.000%							
2/15/2022	350,000	4.000%							
2/15/2023	350,000	5.000%							
2/15/2024	350,000	5.000%							
2/15/2025	350,000	5.000%							
2/15/2026	450,000	5.000%							
2/1/2027	525,000	5.000%							
2/1/2028	600,000	4.000%							
2/1/29-42	700,000	3.00-3.50%							
Refunding Bonds	7/6/2017	6,750,000				1/15/2022	320,000	4.000%	6,750,000
			1/15/2023	370,000	4.000%				
			1/15/2024	425,000	4.000%				
			1/15/2025	485,000	5.000%				
			1/15/2026	150,000	4.000%				
			1/15/2026	720,000	5.000%				
			1/15/2027	865,000	5.000%				
			1/15/2028	865,000	5.000%				
			1/15/2029	865,000	5.000%				
			1/15/2030	850,000	3.000%				
			1/15/2031	835,000	3.000-4.000%				
						<u>\$ 25,423,000</u>	<u>\$ 20,934,000</u>	<u>\$ 8,475,000</u>	<u>\$ 37,882,000</u>

Serial Bonds Issued	\$ 14,184,000
Refunding Bonds Issued	6,750,000
Budget Appropriation	\$ 1,615,000
Bonds Refunded	<u>-</u>
	<u>\$ 20,934,000</u>
	<u>\$ 8,475,000</u>

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

Balance, January 1, 2017	\$ 1,474,387
Decreased by:	
Loans Paid by Budget Appropriation	<u>368,843</u>
Balance, December 31, 2017	<u>\$ 1,105,544</u>

Analysis of Balance

Incentive	188,168
Greenway Acquisition	147,252
Summer Road Park	118,952
N.J. Infrastructure:	
Dreahook Road	319,364
2003	87,775
2004	<u>244,033</u>
	<u>\$ 1,105,544</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, 2017	Increased	Decreased	Balance, December 31, 2017
06-04	Acquisition of Property	\$ 15,000,000	2/6/2007	2/3/2016 2/1/2017 2/1/2017	2/2/2017 4/28/2017 2/1/2018	2.00% 1.25% 2.25%	\$ 20,336,073	\$ 13,973,000 6,278,000	\$ 20,336,073 13,973,000	\$ 6,278,000
07-37	Acquisition of Property	494,000	2/5/2008	2/3/2016 2/1/2017	2/2/2017 4/28/2017	2.00% 1.25%	217,330	211,000	217,330 211,000	
09-22	Acquisition of Property	3,624,000	10/9/2009	2/3/2016 2/1/2017	2/2/2017 2/1/2018	2.00% 2.25%	660,074	660,074	660,074	660,074
09-23	Acquisition of Property	3,876,000	10/9/2009	2/3/2016 2/1/2017	2/2/2017 2/1/2018	2.00% 2.25%	1,490,364	1,406,413	1,490,364	1,406,413
09-29	Acquisition of Property	542,450	2/3/2010	2/3/2016	2/2/2017	2.00%	236,652		236,652	
09-31	COAH Property	225,661	2/3/2010	2/3/2016 2/1/2017	2/2/2017 2/1/2018	2.00% 2.25%	71,029	66,621	71,029	66,621
12-29	Acquisition of Property	169,186	1/31/2013	2/3/2016 2/1/2017	2/2/2017 2/1/2018	2.00% 2.25%	72,026	72,026	72,026	72,026
14-21	Acquisition of Property	406,120	11/17/2014	2/3/2016 2/1/2017	2/2/2017 2/1/2018	2.00% 2.25%	406,120	406,750	406,120	406,750
15-4	Various Improvements	2,210,332	2/3/2016	2/3/2016 2/1/2017	2/2/2017 2/1/2018	2.00% 2.25%	2,210,332	2,279,998	2,210,332	2,279,998
16-4	Various Improvements	2,210,332	2/3/2016	2/1/2017	2/1/2018	2.25%	-	1,608,118	-	1,608,118
							\$ 25,700,000	\$ 26,962,000	\$ 39,884,000	\$ 12,778,000
								\$ 1,678,416		
								25,283,584	\$ 25,283,584	
									91,403	
									14,184,000	
								-	325,013	
								\$ 26,962,000	\$ 39,884,000	

Issued for Cash	\$ 1,678,416	
Renewals	25,283,584	\$ 25,283,584
Paid by Budget Appropriation		91,403
Serial Bonds Issued		14,184,000
Paid by Capital Cash - Excess Note Proceeds	-	325,013
	\$ 26,962,000	\$ 39,884,000

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

Balance, January 1, 2017	<u>\$ 4,240</u>
Balance, December 31, 2017	<u><u>\$ 4,240</u></u>

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

Balance, January 1, 2017	\$ 152,250
Increased by:	
Cash Receipts	<u>30,000</u>
Balance, December 31, 2017	<u><u>\$ 182,250</u></u>

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

Balance, January 1, 2017	\$ 502,541
Increased by:	
Cash Receipts	7,185
Balance, December 31, 2017	\$ 509,726

**TOWNSHIP OF READINGTON
STATEMENT OF RESERVE FOR DEBT SERVICE
GENERAL CAPITAL FUND**

Increased by:		
Cash Receipts	\$	77,042
Amount Due from Current Fund		43,273
		\$ 120,315
Balance, December 31, 2017		\$ 120,315

**TOWNSHIP OF READINGTON
STATEMENT OF RESERVE FOR HOUSING TRUST FUND
GENERAL CAPITAL FUND**

Increased by:		
Ordinances Cancelled in 2017		\$ 18,745
Decreased by:		
Cash Disbursements		18,745
Balance, December 31, 2017		\$ -

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

<u>Ord. No.</u> <u>or Date</u>	<u>Improvement Description</u>	Balance, January 1, 2017	2017 <u>Authorizations</u>	Notes <u>Issued</u>	<u>Cancelled</u>	Balance, December 31, 2017
	<u>General Improvements:</u>					
03-24/04-27	Acquisition of Property - O'Urso	\$ 805,224				\$ 805,224
05-22/14-19	Various Sewer Improvements	558				558
14-21	Acquisition of Property - Fallon	630		\$ 630		-
15-4	Various Improvements	69,668		69,668		-
16-4	Various Improvements	1,615,100		1,608,118		6,982
17-06	Refunding Bonds		\$ 7,800,000		\$ 7,800,000	
17-07	Various Improvements		1,666,300			1,666,300
17-08	Reacquire Available Sewer Capacity		1,400,000			1,400,000
17-09	Reacquire Available Sewer Capacity		3,420,000			3,420,000
17-12	Acquisition of Property - Oaks and Blue Sky	-	840,000	-	-	840,000
		<u>\$ 2,491,180</u>	<u>\$ 15,126,300</u>	<u>\$ 1,678,416</u>	<u>\$ 7,800,000</u>	<u>\$ 8,139,064</u>

SEWER UTILITY FUND

**TOWNSHIP OF READINGTON
STATEMENT OF CASH**

	<u>Operating</u>	<u>Expansion Trust</u>
Balance, January 1, 2017	\$ 400,113	\$ 389,957
Increased by Receipts:		
Sewer Rents	\$ 1,397,061	
User Fees from Other Contracts	208,320	
Miscellaneous	8,664	
Sewer Overpayments	3,487	
Transfer from Sewer Expansion Trust Fund	172,411	
Sewer Expansion Fees Collected		\$ 136,460
Interest Earned	-	994
	<u>1,789,943</u>	<u>137,454</u>
	2,190,056	527,411
Decreased by Disbursements:		
2017 Budget Appropriations	1,523,823	
2016 Appropriation Reserves	62,994	
Payments to Sewer Operating Fund		172,411
Payments to General Capital		180,000
Payments to Current Fund	-	175,000
	<u>1,586,817</u>	<u>527,411</u>
Balance, December 31, 2017	<u>\$ 603,239</u>	<u>\$ -</u>

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

Balance, January 1, 2017		\$ 102,240
Increased by:		
Billings		<u>1,402,067</u>
		1,504,307
Decreased by:		
Sewer Overpayments Applied	\$ 2,410	
Collections	<u>1,397,061</u>	
		<u>1,399,471</u>
Balance, December 31, 2017		<u>\$ 104,836</u>

**TOWNSHIP OF READINGTON
STATEMENT OF 2016 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance, January 1, <u>2017</u>	Prior Year Accounts Payable <u>Restored</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Other Expenses	\$ 10,480	\$ 11,588	12,378	\$ 9,690
Service Fees - RTMUA	<u>50,616</u>	<u>-</u>	<u>50,616</u>	<u>-</u>
 Total Water Utility Appropriation Reserves	 <u>\$ 61,096</u>	 <u>\$ 11,588</u>	 <u>\$ 62,994</u>	 <u>\$ 9,690</u>
		Cash Disbursements	<u>\$ 62,994</u>	

EXHIBIT D-7

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

Balance, January 1, 2017	\$ 11,588
Increased by:	
Charges to 2017 Budget	<u>23,240</u>
	34,828
Decreased by:	
Restored to 2017 Appropriation Reserves	<u>11,588</u>
Balance, December 31, 2017	<u>\$ 23,240</u>

EXHIBIT D-8

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

Balance, January 1, 2017	\$ 2,410
Increased by:	
Cash Receipts	<u>3,487</u>
	5,897
Decreased by:	
Applied to Consumer Accounts Receivable	<u>2,410</u>
Balance, December 31, 2017	<u>\$ 3,487</u>

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

Balance, January 1, 2017		\$ 389,957
Increased by:		
Cash Receipts		
Fees	\$ 136,460	
Interest on Investments	<u>994</u>	
		<u>137,454</u>
		527,411
Decreased by:		
Cash Disbursements		
Return of Capacity - Due to General Capital Fund	\$ 180,000	
Anticipated as Revenue in Current Fund	175,000	
Sewer Expansion Trust Surplus Transferred to Sewer Operating Fund	<u>172,411</u>	
		<u>527,411</u>
Balance, December 31, 2017		<u>\$ -</u>

TOWNSHIP OF READINGTON
PART II
GOVERNMENTAL AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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GARY W. HIGGINS, CPA, RMA, PSA
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MARK SACO, CPA
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ROBERT LERCH, CPA
ADWOA BOACHIE, CPA

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2018. 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 financial statements.

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 2017-001 that we consider to be 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 2017-001.

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

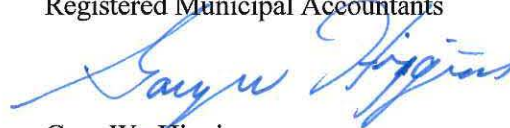
The Township of Readington's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Township of Readington's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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
June 13, 2018

**TOWNSHIP OF READINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Federal CFDA Number	Original Grant Award Amount	Current Year Grant Receipt	Grant Year	Balance, January 1, 2017	Revenue Realized	Expenditures	Cancelled	Balance, December 31, 2017	Cumulative Expended
U.S. Department of Highway Traffic Safety										
Click it or Ticket	20.616	\$ 1,815	\$ 1,815	2017		\$ 1,815	\$ 1,815		-	\$ 1,815
Distracted Driver	20.616	5,500	5,500	2017		5,500	5,500			5,500
U.S. Environmental Protection Agency										
Performance Partnership Grant - 391H Grant Watershed	66.605	650,000	14,666	2017		650,000	14,666		\$ 635,334	14,666
U.S. Department of Law and Public Safety										
FEMA	97.036	80,149	80,149	2017	-	80,149	80,149	-	-	80,149
					<u>\$ -</u>	<u>\$ 737,464</u>	<u>\$ 102,130</u>	<u>\$ -</u>	<u>\$ 635,334</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, 2017**

<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, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expended</u>
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	\$ 4,504	\$ 4,504	2017	-	\$ 4,504		\$ 4,504	-
		4,774		2016	\$ 4,774			4,774	-
		4,302		2015	4,302			4,302	-
		6,416		Prior Years	1,148		\$ 363	785	\$ 5,631
1110-448-031020-22	Drunk Driving Enforcement Fund	13,204	13,204	2017	-	13,204		13,204	-
		16,345		2015	11,288		8,860	2,428	13,917
4800-533-042-4800-003-V22G-6020	Green Acres Trust Fund - Csepi	77,042	77,042			77,042	77,042		77,042
N/A	Tarentino Police Grant	3,730		2017	-	3,730	2,426	1,304	2,426
N/A	Sustainable New Jersey	10,000		2015	631		631	-	10,000
N/A	Clean Communities	53,621	53,621	2017	-	53,621	53,621	-	53,621
N/A	Recreation Trails Grant - NJDEP	4,600		2016	1,330		183	1,147	3,453
N/A	NJ Environmental Commission - ANJEC	800		2016	800			800	-
N/A	Body Armor Replacement	2,348	2,348	2017	-	2,348		2,348	-
		2,345		2016	2,344		2,344	-	2,345
					-	-	-	-	
					<u>\$ 26,617</u>	<u>\$ 154,449</u>	<u>\$ 145,470</u>	<u>\$ 35,596</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, 2017**

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	\$ 737,464	\$ 77,407	\$ 814,871
General Capital Fund	<u>-</u>	<u>77,042</u>	<u>77,042</u>
Total Financial Awards	<u>\$ 737,464</u>	<u>\$ 154,449</u>	<u>\$ 891,913</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, 2017**

NOTE 5 STATE LOANS OUTSTANDING

The Township's state loans outstanding at December 31, 2017, 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>
Incentive	\$ 188,168
Greenway Acquisition	147,252
Summer Road Park	118,952
N.J. Infrastructure:	
Dreahook Road	319,364
2003	87,775
2004	<u>244,033</u>
	<u>\$ 1,105,544</u>

**TOWNSHIP OF READINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Modified, Unaudited LOSAP Trust Fund</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	<u> X </u> yes	<u> </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> no
Noncompliance material to the financial statements noted?	<u> X </u> yes	<u> </u> 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, 2017**

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 2017-001:

The audit indicated that 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"

Condition:

See Finding 2017-001.

Questioned Costs:

Not Applicable.

Context:

- Certain not to exceed unit cost road contracts approved by the Governing Body were not encumbered subsequent to being awarded resulting in the aggregate not to exceed amount being greater than the available appropriation in the General Capital Fund. Additionally, certain other not to exceed contracts were not encumbered for the award amount.
- Various purchase orders tested indicated goods were received or services rendered prior to the date the purchase order was executed.
- Encumbrances for the estimated amount of recurring expenses were not recorded in the Current and Sewer Utility Operating Funds subsequent to the adoption of the budget.
- Certain expenditures in both Current and Sewer Utility Operating Funds totaling \$50,406 and \$61,712, respectively, were not encumbered at December 31, 2017.

Effect:

None, actual amounts expended did not exceed available appropriations.

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, 2017**

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**

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,756,000	2.15%	\$ 1,055,000	1.35%
Miscellaneous - From Other Than Local				
Property Tax Levies	4,226,015	5.18%	3,425,516	4.39%
Collection of Delinquent Taxes and Tax Title Liens	702,441	0.86%	899,452	1.15%
Collection of Current Tax Levy	74,462,784	91.28%	72,209,785	92.41%
Other Credits	<u>431,547</u>	<u>0.53%</u>	<u>550,192</u>	<u>0.70%</u>
Total Income	<u>81,578,787</u>	<u>100.00%</u>	<u>78,139,945</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	19,273,039	24.16%	18,257,457	23.64%
County Taxes	11,989,815	15.03%	11,463,706	14.84%
Local School Taxes	29,299,293	36.73%	28,820,286	37.32%
Regional School Taxes	18,681,639	23.42%	18,154,962	23.51%
Municipal Open Space Taxes	523,444	0.66%	521,470	0.68%
Other Expenditures	<u>465</u>	<u>0.00%</u>	<u>8,177</u>	<u>0.01%</u>
Total Expenditures	79,767,695	<u>100.00%</u>	77,226,058	<u>100.00%</u>
Less: Expenditures to be Raised by Future Revenue	<u>-</u>		<u>685,743</u>	
Total Adjusted Expenditures	<u>79,767,695</u>		<u>76,540,315</u>	
Excess in Revenue	1,811,092		1,599,630	
Fund Balance, January 1	<u>2,654,687</u>		<u>2,110,057</u>	
	4,465,779		3,709,687	
Less Utilization as Anticipated Revenue	<u>1,756,000</u>		<u>1,055,000</u>	
Fund Balance, December 31	<u>\$ 2,709,779</u>		<u>\$ 2,654,687</u>	

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 81,390	4.33%	\$ 57,992	3.47%
Rents	1,399,471	74.44%	1,388,663	83.06%
Miscellaneous	216,984	11.54%	224,958	13.46%
Other Credits	<u>182,101</u>	<u>9.69%</u>	<u>178</u>	<u>0.01%</u>
Total Income	<u>1,879,946</u>	<u>100.00%</u>	<u>1,671,791</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	1,620,000	99.45%	1,580,380	99.33%
Deferred Charges and Statutory Expenditures	<u>8,890</u>	<u>0.55%</u>	<u>10,612</u>	<u>0.67%</u>
Total Expenditures	<u>1,628,890</u>	<u>100.00%</u>	<u>1,590,992</u>	<u>100.00%</u>
Excess in Revenue	251,056		80,799	
Fund Balance, January 1	<u>325,019</u>		<u>302,212</u>	
	576,075		383,011	
Decreased by:				
Utilized by Current Fund Budget	<u>81,390</u>		<u>57,992</u>	
Fund Balance, December 31	<u>\$ 494,685</u>		<u>\$ 325,019</u>	

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

Comparative Schedule Of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.868</u>	<u>\$2.800</u>	<u>\$2.755</u>
Municipal	.553	0.528	0.519
Municipal Open Space	.020	0.020	0.020
County	.458	0.440	0.423
Local School	1.122	1.112	1.101
Regional School	.715	0.700	.692

Assessed Valuation

2017	<u>\$2,612,429,913</u>
2016	<u>\$2,593,333,060</u>
2015	<u>\$2,609,380,779</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>
2017	\$ 75,061,553	\$ 74,462,784	99.20%
2016	73,004,964	72,209,785	98.91%
2015	72,230,387	71,469,125	98.94%

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>
2017	\$ 569,374	\$ 111,535	\$ 680,909	0.91%
2016	702,441	108,472	810,913	1.11%
2015	1,114,876	105,482	1,220,358	1.69%

**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>
2017	\$1,402,067	\$1,399,471	99.81%
2016	1,386,822	1,388,663	100.13
2015	1,371,803	1,377,110	100.39

* 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>	2017	\$2,709,779	\$1,852,000
	2016	2,654,687	1,756,000
	2015	2,110,057	1,055,000
	2014	2,063,915	1,190,678
<u>Sewer Utility Operating Fund</u>	2017	\$494,685	\$74,686
	2016	\$325,019	\$81,390
	2015	302,212	57,992
	2014	329,712	121,489

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>
Benjamin Smith	Mayor
Betty Ann Fort	Deputy Mayor
John D. Broten	Township Committee
M. Elizabeth Duffy	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
Lauren Whitaker	Tax Assessor
Gerard Shamey	Municipal Court Judge
Kimberly Marino	Municipal Court Administrator
Joseph Greco	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

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:

- 2017 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.

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 3, 2017 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.

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Collection of Interest of Delinquent Taxes and Assessments (Continued)

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 24, 2017 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>
2017	5
2016	5
2015	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.

Suggestions to Management

- All Sewer Operating Fund rents and fees be deposited within 48 hours of receipt.
- Commuter allowances paid to certain employees be properly reported on the employees W-2 Form.
- All General Capital Fund improvement authorization cancellations be recorded in the respective subsidiary ledger on a timely basis.
- The Director of Public Works sign all department employee timesheets.

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

RECOMMENDATIONS

- * It is recommended that internal controls over the Township's encumbrance accounting system be reviewed and enhanced.

Status of Prior Year's Audit Findings/Recommendations

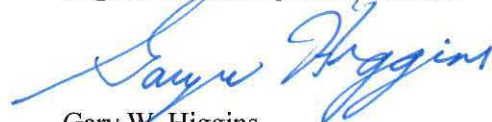
A review was performed on the prior year recommendation and corrective action was taken on all except those noted with an asterisk (*) above.

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