

**TOWNSHIP OF READINGTON**  
**HUNTERDON COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**TOWNSHIP OF READINGTON**

**HUNTERDON COUNTY**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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CHRIS SOHN, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the Township Committee  
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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, 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 16 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, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Township’s Trust Funds, and represent 50 percent and 48 percent of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2018 and 2017.

***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, 2018 and 2017, 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, 2018 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.

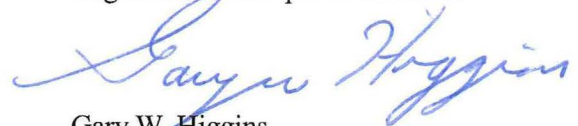
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 18, 2019 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  
July 18, 2019

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>Regular Fund</b>			
Cash	A-4	\$ 8,819,736	\$ 13,789,072
Cash - Change Fund	A-5	650	650
Due from State - Senior Citizens and Veterans Deductions	A-7	<u>88,323</u>	<u>66,639</u>
		<u>8,908,709</u>	<u>13,856,361</u>
<b>Receivables and Other Assets with Full Reserves</b>			
Delinquent Property Taxes Receivable	A-8	565,874	569,374
Tax Title Liens Receivable	A-9	114,671	111,535
Due from Federal and State Grants Fund	A-23	3,054	-
Due from Sewer Operating Fund	A-20	28,797	-
Revenue Accounts Receivable	A-10	<u>4,570</u>	<u>6,339</u>
		<u>716,966</u>	<u>687,248</u>
<b>Total Regular Fund</b>		<u>9,625,675</u>	<u>14,543,609</u>
<b>Grants Fund</b>			
Grants Receivable	A-21	531,922	639,064
Due from Current Fund	A-23	<u>-</u>	<u>22,989</u>
<b>Total Grants Fund</b>		<u>531,922</u>	<u>662,053</u>
<b>Total Assets</b>		<u>\$ 10,157,597</u>	<u>\$ 15,205,662</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,A-11	\$ 805,981	\$ 877,411
Encumbrances Payable	A-12	384,722	414,284
Reserve for Master Plan	A-19		76,514
Reserve for Sale of Assets	A-24	6,663	14,009
Prepaid Taxes	A-13	533,978	4,994,110
Regional School Taxes Payable	A-17	3,459,271	3,052,130
Local School Taxes Payable	A-16	1,000	-
County Taxes Payable	A-15	41,956	22,494
Miscellaneous Fees Payable	A-18	13,153	13,117
Due to General Capital Fund	C-5		43,220
Due to Grants Fund	A-23		22,989
Reserve for Tax Sale Premiums	A-25	276,900	732,400
Reserve for Tax Appeals	A-27	308,002	308,002
Tax Overpayments	A-14	108,154	575,902
		<u>5,939,780</u>	<u>11,146,582</u>
Reserve for Receivables	A	716,966	687,248
Fund Balance	A-1	<u>2,968,929</u>	<u>2,709,779</u>
<b>Total Regular Fund</b>		<u>9,625,675</u>	<u>14,543,609</u>
<b>Grants Fund</b>			
Encumbrances Payable	A-28	38,783	429
Due to Current Fund	A-23	3,054	
Reserve for Grants and Donations - Appropriated	A-22	490,085	661,624
<b>Total Grants Fund</b>		<u>531,922</u>	<u>662,053</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 10,157,597</u>	<u>\$ 15,205,662</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 1,852,000	\$ 1,756,000
Miscellaneous Revenues	A-2	3,406,706	3,940,720
Receipts from Delinquent Taxes	A-2	569,374	702,441
Receipts from Current Taxes	A-2	76,140,674	74,462,784
Non-Budget Revenues	A-2	107,353	285,295
Other Credits to Income:			
Interfunds and Other Receivables Returned	A		7
Tax Sale Premiums Cancelled	A-25	38,000	-
Reserve for Master Plan Cancelled	A-19	76,514	
Unexpended Balance of Appropriation Reserves	A-11	<u>762,538</u>	<u>431,540</u>
 Total Income		 <u>82,953,159</u>	 <u>81,578,787</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,403,584	6,430,468
Other Expenses	A-3	6,877,200	7,303,437
Capital Improvements	A-3	375,000	235,000
Municipal Debt Service	A-3	3,690,453	3,157,962
Deferred Charges and Statutory			
Expenditures	A-3	1,597,006	2,146,172
Regional School District Tax	A-17	19,009,477	18,681,639
Local District School Tax	A-16	30,212,810	29,299,293
County Tax	A-15	12,077,071	11,967,321
County Share of Added and Omitted Taxes	A-15	41,956	22,494
Local Open Space Tax	A-29	521,041	522,459
Local Open Space Added Taxes	A-29	1,809	985
Refund of Prior Year Revenue	A-4	2,751	465
Interfunds Established	A	<u>31,851</u>	<u>-</u>
 Total Expenditures		 <u>80,842,009</u>	 <u>79,767,695</u>
 Statutory Excess to Fund Balance		 2,111,150	 1,811,092
 FUND BALANCE, JANUARY 1	 A	 <u>2,709,779</u>	 <u>2,654,687</u>
		4,820,929	4,465,779
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,852,000</u>	<u>1,756,000</u>
 FUND BALANCE, DECEMBER 31	 A	 <u>\$ 2,968,929</u>	 <u>\$ 2,709,779</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, 2018**

	Reference	2018		2018 Realized	Excess or (Deficit)
		Budget	Anticipated Added by: NJS 40A:4-87		
Fund Balance Anticipated	A-1	\$ 1,852,000	-	\$ 1,852,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-10	19,000		20,381	\$ 1,381
Fees and Permits					
Other	A-2	172,000		198,350	26,350
Fines and Costs					
Municipal Court	A-10	117,000		89,573	(27,427)
Interest and Costs on Taxes	A-10	180,000		212,641	32,641
Interest on Investments and Deposits	A-2	40,000		143,537	103,537
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	385,000		575,340	190,340
State and Federal Revenues Offset with Appropriations					
Drunk Driving Enforcement Fund	A-21		4,363	4,363	
Clean Communities Program	A-21		51,293	51,293	
NJ Historical Commission - Museum	A-21		4,500	4,500	
Click it or Ticket	A-21		770	770	
Distracted Driver	A-21		3,386	3,386	
Alcohol Education & Rehabilitation	A-21		4,321	4,321	
Drive Sober or Get Pulled Over	A-21		3,813	3,813	
Somerset County Pass Thru DWI	A-21		2,976	2,976	
Other Special Items					
Sewer Utility Operating Fund Balance	D-1	175,000	-	175,000	-
Uniform Safety Act	A-10	26,000		36,780	10,780
General Capital Fund Balance	C-4	440,000		440,000	
Reserve for Sale of Assets	A-24	14,009	-	14,009	-
Total Miscellaneous Revenues	A-1	2,993,682	75,422	3,406,706	337,602
Receipts from Delinquent Taxes	A-2	568,000	-	569,374	1,374

**TOWNSHIP OF READINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

		2018 <u>Anticipated</u>			
	<u>Reference</u>	<u>Budget</u>	Added by: <u>NJS 40A:4-87</u>	<u>2018 Realized</u>	Excess or <u>(Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes		\$ 14,667,315	-	\$ 15,476,510	\$ 809,195
 Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>14,667,315</u>	<u>-</u>	<u>15,476,510</u>	<u>809,195</u>
 Total General Revenue	A-3	<u>\$ 20,080,997</u>	<u>\$ 75,422</u>	21,304,590	<u>\$ 1,148,171</u>
 Non-Budget Revenue	A-1,A-2			<u>107,353</u>	
				<u>\$ 21,411,943</u>	

**TOWNSHIP OF READINGTON  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 76,140,674
Allocated to		
Local School, Regional High School, County and Municipal Open Space Taxes	A-15,A-16, 17, 29	<u>61,864,164</u>
		14,276,510
Add: Appropriation for Reserve for Uncollected Taxes	A-3	<u>1,200,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 15,476,510</u>
Analysis of Delinquent Taxes		
Taxes Receivable	A-2, A-8	<u>\$ 569,374</u>
Fees and Permits - Other		
Township Clerk	A-10	\$ 27,584
Board of Health /Registrar of Vital Statistics	A-10	56,348
Fire Prevention	A-10	62,945
Planning and Zoning Boards	A-10	32,359
Department of Public Works	A-10	15,360
Police	A-10	<u>3,754</u>
	A-2	<u>\$ 198,350</u>
Interest on Investments		
Cash Receipts	A-10	\$ 69,835
Due from Animal Control Fund	B-7	118
Due from Other Trust Fund	B-9	10,214
Due from General Capital Fund	C-4	<u>63,370</u>
	A-2	<u>\$ 143,537</u>
Non-Budget Revenues		
Senior Citizens and Veterans Deductions Administrative Fee		\$ 2,372
Library Aid		811
Cable Franchise Fee		20,900
Tax Collector		910
Outside Code Fees		1,656
Police Outside Duty Administration Fees		14,858
Police Outside Duty Vehicle Use Fees		4,369
Prior Year Voided Checks		10,755
Land Lease Fees		6,888
Miscellaneous Refunds		2,879
Rental of Properties		8,040
Payments in Lieu of Taxes on Real Property		<u>32,915</u>
	A-2, A-4	<u>\$ 107,353</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, 2018**

	2018		2018 Expended		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 370,359	\$ 370,359	\$ 369,026	\$ 1,333	
Other Expenses					
Elections	10,000	14,200	13,144	1,056	
Miscellaneous Other Expenses	105,000	105,000	100,612	4,388	
Mayor and Committee					
Salaries and Wages	34,172	34,172	33,420	752	
Financial Administration					
Salaries and Wages	212,794	212,794	199,022	13,772	
Other Expenses	11,000	11,000	500	10,500	
Audit Services					
Other Expenses	40,700	40,700	40,700	-	
Revenue Administration					
Salaries and Wages	84,525	84,525	84,525	-	
Other Expenses	24,000	24,000	20,465	3,535	
Assessment of Taxes					
Salaries and Wages	88,958	88,958	88,958	-	
Other Expenses					
Revision of Tax Map	15,000	68,000	55,556	12,444	
Miscellaneous Other Expenses	5,500	6,500	6,013	487	
Legal Service and Costs					
Other Expenses	700,000	685,300	405,607	279,693	
Engineering Services and Costs					
Other Expenses	170,000	260,000	231,267	28,733	
Museum Committee					
Salaries and Wages	32,383	32,383	21,926	10,457	
Other Expenses	18,000	18,000	17,968	32	
Historic Preservation Committee					
Other Expenses	800	800	-	800	
Planning Board					
Salaries and Wages	26,527	26,527	21,608	4,919	
Other Expenses	3,000	8,000	7,364	636	
Board of Adjustment					
Salaries and Wages	71,190	75,190	75,154	36	
Other Expenses	6,000	10,000	7,936	2,064	
Environmental Health Commission					
Salaries and Wages	1,200	1,200	950	250	
Other Expenses					
Consultants	100,000	110,000	96,687	13,313	
Miscellaneous Other Expenses	2,500	2,500	1,939	561	
Insurance					
General Liability	471,700	471,700	468,526	3,174	
Employee Group Insurance	2,101,978	2,059,678	1,987,974	71,704	
Worker's Compensation	222,400	222,400	222,400	-	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,886,740	2,886,740	2,838,175	48,565	
Other Expenses	245,000	245,000	208,522	36,478	
Patrol of School Crossings					
Salaries and Wages	17,000	17,000	5,100	11,900	
Emergency Management Services					
Salaries and Wages	14,654	15,254	15,232	22	
Other Expenses	2,000	2,000	1,763	237	

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, 2018**

	2018		2018 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	88,572	\$ 68	
Training Fire Department Personnel	16,000	16,000	15,930	70	
Uniform Fire Safety Act					
Salaries and Wages	62,766	62,766	61,354	1,412	
Other Expenses	4,000	4,000	3,533	467	
Supplemental Fire Service Program					
Other Expenses	12,500	12,500	10,098	2,402	
Aid to Volunteer Ambulance Companies					
Whitehouse First Aid Organization	30,000	30,000	30,000	-	
Purchase of Equipment for First Aid Organizations	22,160	22,160	14,555	7,605	
Municipal Prosecutors Office					
Other Expenses	44,000	57,000	51,712	5,288	
PUBLIC WORK FUNCTIONS					
Road Repairs and Maintenance					
Salaries and Wages	1,454,155	1,404,155	1,404,017	138	
Other Expenses	380,000	380,000	343,726	36,274	
Waste Collection/Recycling					
Salaries and Wages	24,227	24,227	24,227	-	
Other Expenses	700,000	700,000	681,053	18,947	
Snow Removal					
Other Expenses	120,000	120,000	119,163	837	
Buildings and Grounds					
Salaries and Wages	238,311	240,311	240,247	64	
Other Expenses	110,000	110,000	100,088	9,912	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	45,080	51,080	50,866	214	
Other Expenses	38,000	38,000	30,988	7,012	
Animal Control Services					
Other Expenses	5,000	5,000	-	5,000	
Administration of Public Assistance					
Salaries and Wages	111,675	125,675	125,249	426	
Other Expenses	1,500	1,500	1,488	12	
PARK AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	138,014	138,014	137,770	244	
Other Expenses	40,000	40,000	27,477	12,523	
Senior Citizens Transportation					
Other Expenses	5,000	5,000	3,540	1,460	
Expense of Participation of Free County Library					
Salaries and Wages	129,750	129,750	127,546	2,204	
Other Expenses	8,500	8,500	6,161	2,339	
Cost of PEOSHA Requirements					
Other Expenses	55,000	55,000	50,367	4,633	

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018		2018 Expended		Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</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	\$ 378,949	\$ 298,949	\$ 293,487	\$ 5,462	
Other Expenses	60,000	60,000	20,454	39,546	
UTILITIES					
Fire Hydrant Service	85,000	85,000	78,704	6,296	
Electricity	132,000	132,000	129,138	2,862	
Street Lighting	40,000	40,000	36,985	3,015	
Telephone	72,000	72,000	65,494	6,506	
Fuel Oil	8,500	-	-	-	
Gasoline	103,000	119,000	118,178	822	
Celebration of Public Events					
Other Expenses	8,500	8,500	7,971	529	
Municipal Court					
Salaries and Wages	112,555	83,555	83,336	219	
Other Expenses	19,500	21,200	20,914	286	
Public Defender					
Other Expenses	13,000	13,000	5,880	7,120	-
Total Operations Within "CAPS"	<u>13,132,362</u>	<u>13,132,362</u>	<u>12,378,307</u>	<u>754,055</u>	-
Contingent	3,000	3,000	1,320	1,680	-
Total Operations Including Contingent Within "CAPS"	<u>13,135,362</u>	<u>13,135,362</u>	<u>12,379,627</u>	<u>755,735</u>	-
Detail:					
Salaries and Wages	6,535,984	6,403,584	6,301,195	102,389	
Other Expenses	6,599,378	6,731,778	6,078,432	653,346	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL					
WITHIN "CAPS"					
Overexpenditure of Appropriation					
Social Security System (O.A.S.I.)	504,900	504,900	457,041	47,859	
Public Employees' Retirement System	441,941	441,941	441,941	-	
Police and Firemen's Retirement System	633,165	633,165	633,165	-	
Defined Contribution Retirement Contribution	12,000	12,000	11,736	264	
Unemployment Insurance	5,000	5,000	2,877	2,123	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	<u>1,597,006</u>	<u>1,597,006</u>	<u>1,546,760</u>	<u>50,246</u>	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	<u>14,732,368</u>	<u>14,732,368</u>	<u>13,926,387</u>	<u>805,981</u>	-

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018		2018 Expended		
	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Awards Program (LOSAP)	\$ 70,000	\$ 70,000	\$ 70,000	\$ -	-
Total Other Operations Excluded from "CAPS"	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	-	-
Public and Private Programs Offset by Revenues					
Clean Communities Program	-	51,293	51,293	-	-
Drunk Driving Enforcement Fund	-	4,363	4,363	-	-
Click it or Ticket	-	770	770	-	-
Distracted Driver	-	3,386	3,386	-	-
Somerset County Pass thru DWI	-	2,976	2,976	-	-
Drive Sober or Get Pulled Over	-	3,813	3,813	-	-
NJ Historical Commission - Museum	-	4,500	4,500	-	-
Alcohol Education & Rehabilitation	-	4,321	4,321	-	-
Total Public and Private Programs Offset by Revenues	<u>-</u>	<u>75,422</u>	<u>75,422</u>	-	-
Total Operations Excluded from "CAPS"	<u>70,000</u>	<u>145,422</u>	<u>145,422</u>	-	-
Detail:					
Other Expenses	<u>70,000</u>	<u>145,422</u>	<u>145,422</u>	-	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	175,000	175,000	175,000	-	-
Road Repairs and Improvements	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	-	-
Total Capital Improvements Excluded from "CAPS"	<u>375,000</u>	<u>375,000</u>	<u>375,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,538,000	1,538,000	1,538,000	-	-
Payment of Bond Anticipation Notes	5,141	5,141	5,141	-	-
Interest on Bonds	1,457,383	1,457,383	1,448,029	-	\$ 9,354
Interest on Notes	311,405	311,405	311,309	-	96
Green Trust Loan Program:					
Loan Repayments of Principal and Interest	<u>391,700</u>	<u>391,700</u>	<u>387,974</u>	-	<u>3,726</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>3,703,629</u>	<u>3,703,629</u>	<u>3,690,453</u>	-	<u>13,176</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018		2018 Expended		
	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 4,148,629	\$ 4,224,051	\$ 4,210,875	\$ -	\$ 13,176
Subtotal General Appropriations	18,880,997	18,956,419	18,137,262	805,981	13,176
Reserve for Uncollected Taxes	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 20,080,997</u>	<u>\$ 20,156,419</u>	<u>\$ 19,337,262</u>	<u>\$ 805,981</u>	<u>\$ 13,176</u>
<u>Reference</u>	A-2		A		

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	<u>Budget After Modification</u>	
Budget as Adopted	A-2	\$ 20,080,997	
Added by N.J.S. 40A:4-87	A-2	<u>75,422</u>	
		<u>\$ 20,156,419</u>	
			<u>Paid or Charged</u>
Cash Disbursed	A-4		\$ 18,446,454
Less Refunds	A-4		<u>769,336</u>
			17,677,118
Encumbrances Payable	A-12		384,722
Transferred to Grants Fund	A-22		75,422
Reserve for Uncollected Taxes	A-2		<u>1,200,000</u>
			<u>\$ 19,337,262</u>

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-3	\$ 12,064	\$ 9,542
		<u>12,064</u>	<u>9,542</u>
<b>OTHER TRUST FUND</b>			
Cash	B-3	1,802,757	1,616,874
Accounts Receivable - Other	B-8	<u>-</u>	<u>400,000</u>
		<u>1,802,757</u>	<u>2,016,874</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)</b>			
Investments	B	1,746,893	1,769,784
Intergovernmental Receivable	B	<u>67,200</u>	<u>70,400</u>
		<u>1,814,093</u>	<u>1,840,184</u>
<b>Total Assets</b>		<u><u>\$ 3,628,914</u></u>	<u><u>\$ 3,866,600</u></u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to the State of New Jersey	B-6	\$ 748	\$ 866
Prepaid Licenses	B-5	7,487	8,659
Reserve for Animal Control Expenditures	B-4	<u>3,829</u>	<u>17</u>
		<u>12,064</u>	<u>9,542</u>
<b>OTHER TRUST FUND</b>			
Miscellaneous Reserves	B-11	1,798,671	2,016,874
Due to State of New Jersey - Unemployment Compensation	B-10	<u>4,086</u>	<u>-</u>
		<u>1,802,757</u>	<u>2,016,874</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)</b>			
Reserve for LOSAP Benefits	B	<u>1,814,093</u>	<u>1,840,184</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u><u>\$ 3,628,914</u></u>	<u><u>\$ 3,866,600</u></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>	2018 Budget (Memorandum)	2018 Realized	Variance
Amount to be Raised by Taxation		\$ 521,041	\$ 522,850	\$ 1,809
		<u>\$ 521,041</u>	522,850	<u>\$ 1,809</u>
Non-Budget Revenue	<u>Reference</u>		458	
			<u>\$ 523,308</u>	
Analysis of Non-Budget Revenue				
Interest on Investments and Deposits			<u>\$ 458</u>	

EXHIBIT B-2

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

	<u>Reference</u>	2018 Budget (Memorandum)	2018 Paid or Charged	Variance
Debt Service				
Payment of Bond Principal	B-11	\$ 521,000	\$ 521,000	\$ -
Reserve for Future Use	B-11	41	6,015	(5,974)
		<u>\$ 521,041</u>	<u>\$ 527,015</u>	<u>\$ (5,974)</u>
	<u>Reference</u>		B-11	

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 4,466,922	\$ 138,873
Due From Current Fund	C-4		43,220
Deferred Charges to Future Taxation:			
Funded	C-5	42,838,958	38,987,544
Unfunded	C-6	<u>16,832,599</u>	<u>20,776,285</u>
 Total Assets		 <u>\$ 64,138,479</u>	 <u>\$ 59,945,922</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	C-10	\$ 42,101,000	\$ 37,882,000
Bond Anticipation Notes Payable	C-12	13,600,000	12,778,000
Green Acres Loans Payable	C-11	737,958	1,105,544
Improvement Authorizations			
Funded	C-8	1,821,381	2,003,100
Unfunded	C-8	3,570,674	4,206,181
Contracts Payable	C-9	1,132,245	602,179
Capital Improvement Fund	C-7	90,229	13,279
Reserve for Emergency Vehicles	C-13	4,240	4,240
Reserve for Road Improvements	C-14	187,250	182,250
Reserve for Green Acres Settlement	C-15	509,726	509,726
Reserve for Debt Service	C-16	149,079	120,315
Fund Balance	C-1	<u>234,697</u>	<u>539,108</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 64,138,479</u>	 <u>\$ 59,945,922</u>

There were bonds and notes authorized but not issued at December 31, 2018 and 2017 of \$3,446,112 and \$8,139,064 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, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Fund Balance, January 1	C	\$ 539,108	\$ 510,804
Increased By:			
Cash Receipts	C-2	19,523	32,117
Improvement Authorizations Cancelled	C-1		124,712
Premium on Sale of Bonds and Notes	C-2	<u>116,066</u>	<u>346,475</u>
		674,697	1,014,108
Decreased By:			
Amount Anticipated in Current Fund Budget	C-4	<u>440,000</u>	<u>475,000</u>
Fund Balance, December 31	C	<u>\$ 234,697</u>	<u>\$ 539,108</u>

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
SEWER UTILITY OPERATING FUND  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Cash	D-4	\$ 616,064	\$ 603,239
		<u>616,064</u>	<u>603,239</u>
Receivables With Full Reserves Consumer Accounts Receivable	D-5	<u>110,893</u>	<u>104,836</u>
		<u>110,893</u>	<u>104,836</u>
Total Assets		<u>\$ 726,957</u>	<u>\$ 708,075</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	D-3,D-6	\$ 46,338	\$ 81,827
Accounts Payable	D-7	83,414	23,240
Sewer Overpayments	D-8	2,898	3,487
Due to Current Fund	D-9	<u>28,797</u>	<u>-</u>
		161,447	108,554
Reserve for Receivables	D	110,893	104,836
Fund Balance	D-1	<u>454,617</u>	<u>494,685</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 726,957</u>	<u>\$ 708,075</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, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-2	\$ 74,686	\$ 81,390
Rents	D-2	1,409,787	1,399,471
Miscellaneous Revenue Anticipated	D-2	15,673	8,664
User Fees from Other Contracts	D-2	344,948	208,320
Other Credits to Income:			
Transfer from Sewer Expansion Trust Fund	D-1		172,411
Unexpended Balance of Appropriation Reserves	D-6	<u>25,507</u>	<u>9,690</u>
Total Revenues		<u>1,870,601</u>	<u>1,879,946</u>
<b>EXPENDITURES</b>			
Operating			
Salaries and Wages	D-1	-	40,000
Other Expenses	D-3	115,000	70,000
Service Fees	D-3	1,508,296	1,510,000
Deferred Charges and Statutory Expenditures	D-3	8,890	8,890
Refund of Sewer Capacity	D-9	<u>28,797</u>	<u>-</u>
Total Expenditures		<u>1,660,983</u>	<u>1,628,890</u>
Statutory Excess to Fund Balance		209,618	251,056
FUND BALANCE, JANUARY 1	D	<u>494,685</u>	<u>325,019</u>
		704,303	576,075
Decreased by:			
Utilized by Current Fund Budget	A-2, D-4	175,000	
Utilized by Sewer Operating Budget	D-1	<u>74,686</u>	<u>81,390</u>
FUND BALANCE, DECEMBER 31	D	<u>\$ 454,617</u>	<u>\$ 494,685</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF REVENUES - REGULATORY BASIS  
SEWER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	2018 <u>Anticipated Budget</u>	2018 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	D-1	\$ 74,686	\$ 74,686	
Rents	D-1,D-5	1,350,000	1,409,787	\$ 59,787
User Fees from Other Contracts	D-1,D-4	200,000	344,948	144,948
Miscellaneous Charges	D-1,D-4	<u>7,500</u>	<u>15,673</u>	<u>8,173</u>
		<u>\$ 1,632,186</u>	<u>\$ 1,845,094</u>	<u>\$ 212,908</u>
	<u>Reference</u>	D-3		

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**SEWER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018		2018 Expended	
	<u>Budget</u>	<u>Appropriated</u> Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>
<b>OPERATING</b>				
Salaries	\$ 60,000			
Other Expenses	115,000	\$ 115,000	98,461	\$ 16,539
Service Fees - RLSA	1,198,296	1,198,296	1,198,296	-
Service Fees - RTMUA	250,000	310,000	280,201	29,799
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>				
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	-
	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>-</u>
	<u>4,590</u>	<u>4,590</u>	<u>4,590</u>	<u>-</u>
Total Water Utility Appropriations	<u>\$ 1,632,186</u>	<u>\$ 1,632,186</u>	<u>\$ 1,585,848</u>	<u>\$ 46,338</u>
	<u>Reference</u>	D-2	D-2	D
			<u>Paid or</u> <u>Charged</u>	
	<u>Reference</u>			
Cash Disbursements	D-4		\$ 1,502,434	
Accounts Payable	D-7		<u>83,414</u>	
			<u>\$ 1,585,848</u>	

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Land and Land Improvements	\$ 29,555,540	\$ 29,555,540
Buildings and Building Improvements	7,348,961	7,306,462
Vehicles and Machinery and Equipment	<u>11,812,284</u>	<u>11,085,890</u>
	<u>\$ 48,716,785</u>	<u>\$ 47,947,892</u>
<b>LIABILITIES</b>		
Investment in General Fixed Assets	<u>\$ 48,716,785</u>	<u>\$ 47,947,892</u>

**NOTES TO FINANCIAL STATEMENTS**

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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 Committee form of government. The five Committee members are elected at-large, for staggered terms of three years. The Committee 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 Committee 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 Committee and is responsible for the implementation of the policies of the Mayor and Committee, 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, 2018 AND 2017

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.

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2017 balances to conform to the December 31, 2018 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.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**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.

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

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

**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.

**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.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

**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.

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

**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.

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.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

**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:

Animal Control Fund  
Other Trust (Except Open Space Reserve)  
General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Township Committee increased the original Current Fund budget by \$75,422 and \$734,722. The increases were funded by additional aid allotted to the Township. In addition, the governing body approved several budget transfers during 2018 and 2017.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Township's deposits were \$15,718,193 and \$16,158,250 and bank and brokerage firm balances of the Township's deposits amounted to \$15,691,492 and \$13,964,493, respectively. The Township's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>2018</u>	<u>2017</u>
Insured	\$ 15,691,492	\$ 13,671,224
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Township's name	-	293,269
	\$ 15,691,492	\$ 13,964,493

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, 2018 and 2017, the Township’s bank balances of \$-0- and \$293,269 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Township's name	\$ -	\$ 293,269

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**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, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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, 2018 and 2017, the Township had the following investments:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2018</u></b>	<b><u>2016</u></b>
Investment:		
U.S. Government Securities		
Length of Service Awards Program	\$ <u>1,746,893</u>	\$ <u>1,769,784</u>

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, 2018 and 2017, \$1,746,893 and \$1,769,784 of the Township’s investments was exposed to custodial credit risk as follows:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Uninsured and Uncollateralized	\$ <u>1,746,893</u>	\$ <u>1,769,784</u>

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**B. Investments (Continued)**

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Township does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Township’s investment in 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 investment was 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, 2018 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<b><u>2018</u></b>			
Property Taxes	\$ 565,874		\$ 565,874
Tax Title Liens	114,671		114,671
Utility Charges and Fees	-	\$ 110,893	110,893
	<u>\$ 680,545</u>	<u>\$ 110,893</u>	<u>\$ 791,438</u>



**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

In 2018, the Township collected \$569,374 and \$104,836 from delinquent taxes and utility charges and fees, which represented 84% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2017.

Receivables at December 31, 2017 consisted of the following:

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

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, water and sewer charges receivable at December 31, 2016.

**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>2018</u>		<u>2017</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	\$ 31,851			\$ 66,209
Grants		\$ 3,054	\$ 22,989	
General Capital Fund	-		43,220	-
Sewer Utility Fund:				
Operating	<u>-</u>	<u>28,797</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 31,851</u>	<u>\$ 31,851</u>	<u>\$ 66,209</u>	<u>\$ 66,209</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

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

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 6 FUND BALANCES APPROPRIATED**

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

	<u>2018</u>		<u>2017</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,880,606	\$ 1,935,000	\$ 2,643,140	\$ 1,852,000
Non-Cash Surplus	<u>88,323</u>	<u>-</u>	<u>66,639</u>	<u>-</u>
	<u>\$ 2,968,929</u>	<u>\$ 1,935,000</u>	<u>\$ 2,709,779</u>	<u>\$ 1,852,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ <u>454,617</u>	\$ <u>31,000</u>	\$ <u>494,685</u>	\$ <u>74,686</u>
	<u>\$ 454,617</u>	<u>\$ 31,000</u>	<u>\$ 494,685</u>	<u>\$ 74,686</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 7 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, 2018 and 2017.

	Balance January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>				
Land and Land Improvements	\$ 29,555,540			\$ 29,555,540
Buildings and Building Improvements	7,306,462	\$ 42,499		7,348,961
Machinery and Equipment	11,085,890	767,394	\$ 41,000	11,812,284
	<u>\$ 47,947,892</u>	<u>\$ 809,893</u>	<u>\$ 41,000</u>	<u>\$ 48,716,785</u>
	Balance January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>				
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	10,533,478	581,801	\$ 29,389	11,085,890
	<u>\$ 47,194,065</u>	<u>\$ 783,216</u>	<u>\$ 29,389</u>	<u>\$ 47,947,892</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 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>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 56,438,958	\$ 51,765,544
Less Funds Temporarily Held to Pay Bonds and Notes	<u>362,592</u>	<u>261,094</u>
Net Debt Issued	56,076,366	51,504,450
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,446,112</u>	<u>8,139,064</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 59,522,478</u>	<u>\$ 59,643,514</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.86% and 1.87% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2018</u></b>			
General Debt	\$ 59,885,070	\$ 362,592	\$ 59,522,478
Local School Debt	14,375,000	14,375,000	-
Regional School Debt	<u>2,080,767</u>	<u>2,080,767</u>	<u>-</u>
Total	<u>\$ 76,340,837</u>	<u>\$ 16,818,359</u>	<u>\$ 59,522,478</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2017</u></b>			
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>

**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>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 112,172,520	\$ 111,100,488
Less: Net Debt	<u>59,522,478</u>	<u>59,643,514</u>
Remaining Borrowing Power	<u>\$ 52,650,042</u>	<u>\$ 51,456,974</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

The Township's long-term debt consisted of the following at December 31, 2018 and 2017:

**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>2018</u>	<u>2017</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 %	\$ 1,155,000	\$ 1,535,000
\$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%	6,170,000	6,890,000
\$9,573,000, 2015 General Improvement Bonds, due in annual installments of \$625,000 to \$1,000,000 through February 1, 2028, interest at 2.0% to 3.0%	7,923,000	8,523,000
\$14,184,000, 2017 General Improvement Bonds, due in annual installments of \$350,000 to \$700,000 through February 1, 2042, interest at 3.0% to 5.0 %	13,825,000	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%	6,750,000	6,750,000
\$6,278,000, 2018 General Improvement Bonds, due in annual installments of \$200,000 to \$400,000 through March 1, 2038, interest at 3.0% to 5.0%	<u>6,278,000</u>	<u>-</u>
Total	<u>\$ 42,101,000</u>	<u>\$ 37,882,000</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 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 the 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
\$1,000,000, 2002 "Incentive" Loan, due in semi-annual installments of \$29,984 to \$32,147 through 2020, interest at 2.00%	\$ 126,689	\$ 188,168
\$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
\$500,000, 2001 "Summer Road Park" Loan, due in semi-annual installments of \$14,073 to \$15,392 through 2021, interest at 1.00%	90,095	118,952
\$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	240,629	319,364
\$285,829, 2003 "NJ Infrastructure-2003 " Loan, due in semi-annual installments of \$196 to \$14,599 through 2023, interest at variable rate	72,182	87,775
\$672,696, 2004 "NJ Infrastructure-2004" Loan, due in semi-annual installments of \$414 to \$44,382 through 2024, interest at variable rate	<u>208,363</u>	<u>244,033</u>
Total	<u>\$ 737,958</u>	<u>\$ 1,105,544</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 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, 2018 is as follows:

Calendar Year	General				Total
	Bonds		Loans		
	Principal	Interest	Principal	Interest	
2019	\$ 2,310,000	\$ 3,824,006	\$ 220,609	\$ 14,915	\$ 6,369,530
2020	2,395,000	3,825,256	219,647	10,063	6,449,966
2021	2,465,000	3,810,856	161,770	5,610	6,443,236
2022	2,550,000	3,805,731	45,932	2,050	6,403,713
2023	2,630,000	3,786,656	59,050	1,313	6,477,019
2024-2028	13,633,000	17,742,461	30,950	437	31,406,848
2029-2033	7,835,000	9,723,856			17,558,856
2034-2038	5,483,000	6,413,817			11,896,817
2039-2042	2,800,000	2,995,500	-	-	5,795,500
Total	<u>\$ 42,101,000</u>	<u>\$ 55,928,139</u>	<u>\$ 737,958</u>	<u>\$ 34,388</u>	<u>\$ 98,801,485</u>

**Changes in Long-Term Municipal Debt**

The Township's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
General Capital Fund					
Bonds Payable	\$ 37,882,000	\$ 6,278,000	\$ 2,059,000	\$ 42,101,000	\$ 2,310,000
Intergovernmental Loans Payable	1,105,544	-	367,586	737,958	220,609
General Capital Fund Long-Term Liabilities	<u>\$ 38,987,544</u>	<u>\$ 6,278,000</u>	<u>\$ 2,426,586</u>	<u>\$ 42,838,958</u>	<u>\$ 2,530,609</u>



**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

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

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

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
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, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Township's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

**Bond Anticipation Notes**

	<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<b><u>2018</u></b>								
	Acquisition of Property	06-04	2.25%	2/1/2018	\$ 6,278,000		\$ 6,278,000	
	Acquisition of Property	09-22	2.25%	2/1/2018	660,074		660,074	
			2.00%	1/29/2019		\$ 660,074		\$ 660,074
	Acquisition of Property	09-23	2.25%	2/1/2018	1,406,413		1,406,413	
			2.00%	1/29/2019		1,406,411		1,406,411
	COAH Property	09-31	2.25%	2/1/2018	66,621		66,621	
			2.00%	1/29/2019		66,621		66,621
	Acquisition of Property	12-29	2.25%	2/1/2018	72,026		72,026	
			2.00%	1/29/2019		72,026		72,026
	Acquisition of Property	14-21	2.25%	2/1/2018	406,750		406,750	
			2.00%	1/29/2019		401,609		401,609
	Various Improvements	15-4	2.25%	2/1/2018	2,279,998		2,279,998	
			2.00%	1/29/2019		2,139,219		2,139,219
	Various Improvements	16-4	2.25%	2/1/2018	1,608,118		1,608,118	
			2.00%	1/29/2019		1,608,118		1,608,118
	Various Improvements	17-07	2.00%	1/29/2019		1,666,300		1,666,300
	Reacquire Available Sewer Capacity	17-08	2.00%	1/29/2019		1,400,000		1,400,000
	Reacquire Available Sewer Capacity	17-09	2.00%	1/29/2019		3,420,000		3,420,000
	Acquisition of Property - Oak and Blue Sky	17-12	2.00%	1/29/2019	-	759,622	-	759,622
					<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>	<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 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, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<b><u>2017</u></b>							
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
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>

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.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

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

**Bond Anticipation Notes (Continued)**

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

**NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>2018</u> <u>Capital Project</u>	<u>Construction</u> <u>Commitment</u>	<u>Estimated</u> <u>Date of</u> <u>Completion</u>
Gasoline and Diesel Fuel	\$ 132,803	2019
Catch Basins and Manhole Castings	23,059	2019
Drainage Pipe	58,712	2019
Oil and Stone Treatment	81,234	2019
Road Repaving	747,078	2019
Van Horne Road Resurfacing	243,050	2019
Renovate Basketball Court at Summer Road Park	135,420	2019
Rock Salt	145,000	2019
<u>2017</u> <u>Capital Project</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

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 10 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 \$496,493 and \$475,405 at December 31, 2018 and 2017, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**Changes in Other Long-Term Liabilities**

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the 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, 2018 and 2017 were as follows:

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
Compensated Absences	\$ 475,405	\$ 21,088		\$ 496,493	
Net Pension Liability - PERS	11,030,360		\$ 2,002,315	9,028,045	
Net Pension Liability - PFRS	11,044,791	-	1,319,569	9,725,222	-
<b>Total Other Long-Term Liabilities</b>	<b><u>\$ 22,550,556</u></b>	<b><u>\$ 21,088</u></b>	<b><u>\$ 3,321,884</u></b>	<b><u>\$ 19,249,760</u></b>	<b><u>\$ -</u></b>
	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
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	13,185,333	-	2,140,542	11,044,791	-
<b>Total Other Long-Term Liabilities</b>	<b><u>\$ 26,441,723</u></b>	<b><u>\$ 37,165</u></b>	<b><u>\$ 3,928,332</u></b>	<b><u>\$ 22,550,556</u></b>	<b><u>\$ -</u></b>

**TOWNSHIP OF READINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 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. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

The following represents the membership tiers for PFRS:

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

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

**Public Employees’ Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

The following represents the membership tiers for PERS:

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

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

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 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). 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 earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. 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 cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

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

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

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**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 for 2018 and 2017 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2018 and 2017 for CPFPPF, which is a single-employer defined benefit plan the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Township for 2018, 2017 and 2016 were equal to the required contributions.



**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

During the years ended December 31, 2018, 2017 and 2016, 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>
2018	\$ 438,967	\$ 633,165	\$ 11,736
2017	389,699	562,780	9,410
2016	400,347	533,649	2,177

In addition for the years ended December 31, 2018 and 2017 the Township contributed for long-term disability insurance premiums (LTDI) \$2,974 and \$910, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2018 and 2017, the Township reported a liability of \$9,028,045 and \$11,030,360, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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, 2018, the Township’s proportionate share was 0.04545 percent, which was a decrease of 0.00153 percent from its proportionate share measured as of June 30, 2017 of 0.04738 percent.

**TOWNSHIP OF READINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

For the years ended December 31, 2018 and 2017, the pension system has determined the Township’s pension expense to be \$561,560 and \$923,740, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Township’s financial statements of \$438,697 and \$389,699, respectively. At December 31, 2018 and 2017, 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:

	2018		2017	
	<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	\$ 172,166	\$ 46,552	\$ 259,727	
Changes of Assumptions	1,487,672	2,886,689	2,222,237	\$ 2,214,090
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		84,683	75,109	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	<u>678,165</u>	<u>568,106</u>	<u>917,750</u>	<u>400,965</u>
Total	<u>\$ 2,338,003</u>	<u>\$ 3,586,030</u>	<u>\$ 3,474,823</u>	<u>\$ 2,615,055</u>

At December 31, 2018 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>
2019	\$ 108,743
2020	(64,715)
2021	(565,776)
2022	(512,406)
2023	(213,873)
Thereafter	<u>-</u>
	<u>\$ (1,248,027)</u>

**TOWNSHIP OF READINGTON  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 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, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
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%	7.00%
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, 2017 and 2016 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, 2018 AND 2017**

**NOTE 11 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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

***Discount Rate***

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 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:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, 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 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	<b>1% Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
<b><u>2018</u></b>			
Township's Proportionate Share of the PERS Net Pension Liability	\$ <u>11,351,726</u>	\$ <u>9,028,045</u>	\$ <u>7,078,625</u>
	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
<b><u>2017</u></b>			
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>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2018 and 2017. 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, 2018 AND 2017**

**NOTE 11 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](http://www.state.nj.us/treasury/pensions).

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

At December 31, 2018 and 2017, the Township reported a liability of \$9,725,022 and \$11,044,791, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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, 2018, the Township’s proportionate share was 0.07187 percent, which was an increase of 0.00033 percent from its proportionate share measured as of June 30, 2017 of 0.07154 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Township pension expense to be \$995,254 and \$1,235,914, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Township’s financial statements of \$633,165 and \$562,780, respectively. At December 31, 2018 and 2017, 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:

	2018		2017	
	<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	\$ 98,941	\$ 40,245	\$ 71,652	\$ 64,824
Changes of Assumptions	834,779	2,492,406	1,361,946	1,808,814
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		53,206	210,760	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	<u>626,471</u>	<u>-</u>	<u>815,809</u>	<u>-</u>
Total	<u>\$ 1,560,191</u>	<u>\$ 2,585,857</u>	<u>\$ 2,460,167</u>	<u>\$ 1,873,638</u>

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 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, 2018 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>
2019	\$ 289,171
2020	(74,642)
2021	(633,944)
2022	(451,420)
2023	(154,831)
Thereafter	<u>-</u>
	<u>\$ (1,025,666)</u>

***Actuarial Assumptions***

The Township’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
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%	7.00%
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, 2017 and July 1, 2016 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, 2018 AND 2017**

**NOTE 11 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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

***Discount Rate***

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

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%



**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 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:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, 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 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
<b><u>2018</u></b>			
Township's Proportionate Share of the PFRS Net Pension Liability	\$ <u>13,016,003</u>	\$ <u>9,725,222</u>	\$ <u>7,010,927</u>
	<b>1% Decrease (5.14%)</b>	<b>Current Discount Rate (6.14%)</b>	<b>1% Increase (7.14%)</b>
<b><u>2017</u></b>			
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>

The sensitivity analysis was based on the proportionate share of the Township’s net pension liability at December 31, 2018 and 2017. 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, 2018 AND 2017**

**NOTE 11 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, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$1,321,011 and \$1,237,110, respectively. For the years ended December 31, 2018 and 2017, 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 \$156,472 and \$151,236, respectively, which are more than the actual contributions the State made on behalf of the Township of \$78,236 and \$61,861, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Township was 0.07187 percent, which was an increase of 0.00033 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of 0.07154 percent. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

***Pension Plan Fiduciary Net Position***

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

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Township.

**Plan Description and Benefits Provided**

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

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**State Health Benefit Program Fund – Local Government Retired (the Plan)** (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

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

**Measurement Focus and Basis of Accounting**

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 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.

**Collective Net OPEB Liability**

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017.

**Actuarial Methods and Assumptions**

In the June 30, 2017 and 2016 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$421.2 million and \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution; an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan—using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Township's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$754,186, \$714,734 and \$653,449, respectively, which equaled the required contributions for each year (or were not available).

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

At December 31, 2018 and 2017, the Township reported a liability of \$16,942,821 and \$22,183,388, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. The Township's proportionate share of the net OPEB liability was based on the ratio of the Township's proportionate share of the OPEB liability attributable to the Township at June 30, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the Township's proportionate share was 0.108146 percent, which was a decrease of 0.000512 percent from its proportionate share measured as of June 30, 2017 of 0.108658 percent.

For the years ended December 31, 2018 and 2017, the Plan has determined the Township's OPEB expense to be \$308,252 and \$1,179,629, respectively, based on the actuarial valuations which are more or less than the actual contributions reported in the Township's financial statements of \$754,186 and \$714,734, respectively. At December 31, 2018 and 2017, the Township's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Township's financial statements are from the following sources:

	2018		2017	
	<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		\$ 3,439,997		
Changes of Assumptions		4,297,768		\$ 2,462,167
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 8,954		\$ 3,802	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	-	2,136,669	-	2,371,711
Contributions made Subsequent to the Measurement Date	-	-	-	-
<b>Total</b>	<b>\$ 8,954</b>	<b>\$ 9,874,434</b>	<b>\$ 3,802</b>	<b>\$ 4,833,878</b>

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (1,486,281)
2020	(1,486,281)
2021	(1,486,283)
2022	(1,487,233)
2023	(1,488,758)
Thereafter	<u>(2,430,644)</u>
	<b>\$ (9,865,480)</b>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 15 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions*

The Township's total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB 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 June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2018</u>	<u>2017</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
Initial Fiscal Year Applied Through	2026	2026
Rate	1.65% to 8.98%	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%	1.00%

\*Salary increases are based on the defined benefit pension plan that the member is enrolled in and his or her age.

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

For the June 30, 2017 measurement date healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Long-Term Expected Rate of Return*

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% and 1.00% as of June 30, 2018 and 2017, respectively.

**Discount Rate**

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

**Calendar**

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of Net OPEB Liability to Changes in the Discounts Rate*

The following presents the Township's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.87% and 3.58%, respectively, as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.87% and 2.58%, respectively or 1-percentage-point higher 4.87% and 4.58%, respectively than the current rate:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
<b><u>2018</u></b>			
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 19,878,408</u>	<u>\$ 16,942,821</u>	<u>\$ 14,597,951</u>
	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
<b><u>2017</u></b>			
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 26,165,967</u>	<u>\$ 22,183,388</u>	<u>\$ 19,023,278</u>

The sensitivity analysis was based on the proportionate share of the Township's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Township's net OPEB liability was not provided by the Plan.

TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources  
 Related to OPEB (Continued)

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the Township's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the healthcare trend rates as disclosed above as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 14,133,029</u>	<u>\$ 16,942,821</u>	<u>\$ 20,579,109</u>
<u>2017</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 18,435,043</u>	<u>\$ 22,183,388</u>	<u>\$ 27,064,167</u>

The sensitivity analysis was based on the proportionate share of the Township's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Township's net OPEB liability was not provided by the pension system.

***OPEB Plan Fiduciary Net Position***

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



**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 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 Joint Insurance Coverage (PAIC) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The PAIC and MEL coverage amounts are on file with the Township.

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Employer/Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 9,099	\$ 19,702	\$ 50,920
2017	17,151	1,658	61,523
2016	179	14,979	46,030

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 14 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 as 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. After an Appellate Division Opinion, the condemnation action was dismissed and the other issues were resolved, except Plaintiff asserts it still possesses a civil rights claim against the Township. The amount of the claim is unknown. There is a balance of \$20,094,727 as of June 2, 2018 being held in escrow maintained by the Superior Court of New Jersey originally required to be deposited by the Township on October 12, 2006. Management has indicated the balance on deposit remains the same as of the date of audit.

*388 Route 22 Readington Realty Holding, LLC v. Township of Readington, et. al*; Superior Court of New Jersey, Law Division, Docket No. HNT-L-751-10. This case involves a suit seeking sewer capacity and civil rights damages. There has been an interim judgment for attorneys' fees which is funded through an escrow account. Plaintiff seeks damages in excess of \$5 million for loss of use of its property. There is a limited insurance coverage for this claim. The Supreme Court reversed the interim judgment for attorneys' fees and granted the Township's motion for summary judgment. Plaintiff filed for bankruptcy and the Bankruptcy Trustee has filed an appeal of the grant of summary judgment.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. 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, 2018 and 2017, the Township reserved \$308,002 and \$308,002, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget, from fund balance or from a tax refunding bond ordinance subject to approval by the Local Finance Board, State of New Jersey.

**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, 2018 and 2017, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Township believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Township.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 15 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, 2018 and 2017, the Township has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 16 LENGTH OF SERVICE AWARD 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 2018 and 2017, respectively, for each eligible volunteer member into the Plan. The total Township contributions were \$67,200 and \$70,400 for 2018 and 2017, respectively.

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

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

**Vesting and Benefits**

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

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

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

**Reporting Requirements**

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

**NOTE 17 SUBSEQUENT EVENTS**

**Bond Anticipation Notes**

On January 16, 2019 the Township issued bond anticipation notes in the amount of \$16,000,000 to temporarily finance expenditures related to various capital projects. The Township has awarded the sale of said notes to Jefferies, LLC at an interest rate of 3.00%. These notes dated January 28, 2019 will mature on January 28, 2020.

**Debt Authorized**

Through July 18, 2019 the Township adopted two bond ordinances authorizing the issuance \$1,425,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Township has not issued nor awarded the sale of said bonds or notes.

**Special Emergency**

The Township adopted a Special Emergency ordinance and resolution for the Revaluation of Real Property in the amount of \$500,000 to be funded over the next 5 years. The Township also authorized the issuance of Special Emergency Notes in the amount of \$500,000. As of the date of audit, the Township has not issued any special emergency notes.

**CURRENT FUND**

**CURRENT FUND**

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

Balance, January 1, 2018		\$ 13,789,072
Increased by:		
Taxes Receivable	\$ 71,028,249	
State of NJ Senior Citizens' and Veterans' Deductions	117,327	
Miscellaneous Revenues Not Anticipated	107,353	
Revenue Accounts Receivable	2,628,573	
Petty Cash Advanced	200	
Tax Overpayments	143,307	
Prepaid Taxes	533,978	
Federal and State Grants Received in Current Fund	182,564	
Reserve for Sale of Assets	6,663	
Reserve for Tax Sale Premiums	73,400	
Reserve for Outside Tax Liens	675,870	
Receipts from Animal Control Fund	118	
Receipts from Other Trust Fund	10,214	
Receipts from General Capital Fund	503,370	
Receipts from Sewer Operating Fund	175,000	
Budget Refunds	769,336	
Miscellaneous Fees Payable	<u>48,786</u>	
		<u>77,004,308</u>
		90,793,380
Decreased by Disbursements:		
2018 Budget Appropriations	18,446,454	
2017 Appropriation Reserves	529,157	
Tax Overpayments	62,377	
County Taxes	12,099,565	
Local District School Taxes	30,211,810	
Regional High School Taxes	18,602,336	
Municipal Open Space Taxes Payable	522,850	
Payments to General Capital Fund	43,220	
Appropriated Grant Reserves Paid by Current Fund	208,178	
Disbursements Due from Sewer Operating Fund	28,797	
Reserve for Encumbrances - Grants Fund Paid by Current Fund	429	
Petty Cash Returned	200	
Reserve for Tax Sale Premiums	490,900	
Reserve for Outside Tax Liens	675,870	
Miscellaneous Fees Payable	48,750	
Refund of Prior Year Revenue	<u>2,751</u>	
		<u>81,973,644</u>
Balance, December 31, 2018		<u>\$ 8,819,736</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, <u>2018</u>	Balance, December 31, <u>2018</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>2018</u>	Returned in <u>2018</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, 2018		\$ 66,639
Increased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billings - 2018	\$ 117,500	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - 2018	<u>23,003</u>	
		<u>140,503</u>
		207,142
Decreased by:		
Received in Cash from State	117,327	
Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector - 2018	<u>1,492</u>	
		<u>118,819</u>
Balance, December 31, 2018		<u>\$ 88,323</u>

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

Year	Balance, January 1, 2018	2018 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, 2018
				2017	2018					
2017	\$ 569,374				\$ 569,374					
2018	-	\$76,761,008	1,492	\$ 4,994,110	70,458,875	\$ 548,678	\$ 140,503	\$ 3,136	\$ 51,324	\$ 565,874
	\$ 569,374	\$76,761,008	\$ 1,492	\$ 4,994,110	\$ 71,028,249	\$ 548,678	\$ 140,503	\$ 3,136	\$ 51,324	\$ 565,874

**Analysis of 2018 Property Tax Levy**

Tax Yield	
General Purpose Tax	\$ 76,496,441
Added Taxes (54:4-63.1 et seq.)	<u>264,567</u>
	<u>\$ 76,761,008</u>
Tax Levy	
Local District School Tax (Abstract)	30,212,810
Regional High School Tax (Abstract)	19,009,477
Municipal Open Space Taxes	522,850
County Taxes	\$ 10,117,339
Due County for Added Taxes (54:4-63.1 et seq)	41,956
County Library Taxes	993,482
County Open Space Taxes	<u>966,250</u>
	12,119,027
Local Tax for Municipal Purposes	14,667,315
Add Additional Tax Levied	<u>229,529</u>
	<u>14,896,844</u>
	<u>\$ 76,761,008</u>

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

Balance, January 1, 2018	\$ 111,535
Increased by:	
Transferred from Current Year Taxes	3,136
Balance, December 31, 2018	\$ 114,671

**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2018</u>	Accrued in 2018	Collected in 2018	Balance, December 31, <u>2018</u>
Township Clerk				
Licenses				
Alcoholic Beverages		\$ 20,381	\$ 20,381	
Fees and Permits		27,584	27,584	
Board of Health/Registrar of Vital Statistics				
Fees and Permits		56,348	56,348	
Department of Public Works				
Fees and Permits		15,360	15,360	
Fire Prevention				
Fees and Permits		62,945	62,945	
Police				
Fees and Permits		3,754	3,754	
Planning & Zoning Boards				
Fees and Permits		32,359	32,359	
Municipal Court				
Fines and Costs	\$ 6,339	87,804	89,573	\$ 4,570
Interest and Costs on Taxes		212,641	212,641	
Interest on Investments and Deposits		69,835	69,835	
Energy Receipts Taxes		1,421,711	1,421,711	
Garden State Trust Fund		3,962	3,962	
Uniform Construction Code Fees		575,340	575,340	
Uniform Safety Act	-	36,780	36,780	-
	\$ 6,339	\$ 2,626,804	\$ 2,628,573	\$ 4,570

**TOWNSHIP OF READINGTON  
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, 2018	Encumbrances Restored	Modified Balance	Paid or Charged	Balance Lapsed
General Administration					
Salaries and Wages	\$ 544		\$ 544		\$ 544
Other Expenses					
Elections	1,909		1,909		1,909
Miscellaneous Other Expenses	11,736	\$ 2,670	14,406	\$ 3,495	10,911
Financial Administration					
Salaries and Wages	13,019		13,019		13,019
Other Expenses	7,115	617	7,732	2,998	4,734
Revenue Administration					
Other Expenses	2,439	21	2,460	21	2,439
Assessment of Taxes					
Salaries and Wages	183		183		183
Other Expenses					
Revision of Tax Map	14,526		14,526		14,526
Miscellaneous Other Expenses	550		550	8	542
Legal Services and Costs					
Other Expenses	20,906	51,388	72,294	40,970	31,324
Engineering Services and Costs -					
Other Expenses	3,806		3,806	1,210	2,596
Museum Committee					
Salaries and Wages	12,116		12,116		12,116
Other Expenses	1,061	4,583	5,644	5,033	611
Historical Preservation					
Other Expenses	1,483		1,483		1,483
Planning Board					
Salaries and Wages	90		90		90
Other Expenses	1,020	96	1,116	176	940
Board of Adjustment					
Salaries and Wages	1,559		1,559		1,559
Other Expenses	463	2,000	2,463	2,000	463
Environmental Health Commission					
Other Expenses					
Consultants	24,738	17,753	42,491	26,619	15,872
Miscellaneous Other Expenses	1,961		1,961		1,961
Police					
Salaries and Wages	93,942		93,942		93,942
Other Expenses	14,957	120,302	135,259	128,087	7,172
Patrol of School Crossing					
Salaries and Wages	8,500		8,500		8,500
Fire					
Equipment for Volunteer Fire Co.	7,888	14,842	22,730	19,988	2,742
Supplemental Fire Service Program					
Other Expenses	3,836		3,836	3,836	-
First Aid Equipment	20,580	3,122	23,702	3,122	20,580
Emergency Management					
Salaries and Wages	14		14		14
Other Expenses	2,234		2,234		2,234
Uniform Fire Safety					
Salaries and Wages	13,581		13,581		13,581
Other Expenses	1,734	1,000	2,734	1,000	1,734
Road, Repairs and Maintenance					
Salaries and Wages	41,304		41,304		41,304
Other Expenses	33,471	64,198	97,669	63,055	34,614
Tree Care					
Other Expenses		25,845	25,845	9,442	16,403
Snow Removal					
Other Expenses	22,041	3,306	25,347	22,775	2,572
Buildings and Grounds					
Salaries and Wages	9,453		9,453	1,784	7,669
Other Expenses	23,684	4,368	28,052	5,348	22,704
Waste Collection/Recycling					
Other Expenses	59,957		59,957	51,618	8,339
Board of Health					
Salaries and Wages	1,006		1,006		1,006
Other Expenses	18,418	9	18,427	1,204	17,223

TOWNSHIP OF READINGTON  
STATEMENT OF 2017 APPROPRIATION RESERVES

	Balance, January 1, <u>2018</u>	Encumbrances <u>Restored</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Administration of Public Assistance					
Other Expenses	\$ 221	\$ 61	\$ 282	\$ 61	\$ 221
Animal Control Services					
Other Expenses	5,000		5,000		5,000
Recreation					
Salaries and Wages	289		289		289
Other Expenses	8,297		8,297	-	8,297
Senior Citizens Transportation					
Other Expenses	2,260		2,260		2,260
Expense in Participation of Free County Library					
Salaries and Wages	13,111		13,111		13,111
Other Expenses	3,429	366	3,795	562	3,233
Celebration of Public Events					
Other Expenses	30		30		30
Construction Code Official					
Salaries and Wages	16,267		16,267	-	16,267
Other Expenses	27,539	91,222	118,761	96,850	21,911
Utilities					
Fire Hydrant Services	3,744		3,744	3,740	4
Electricity	1,282	4,083	5,365	5,029	336
Street Lighting	3,398		3,398	-	3,398
Telephone	10,007	855	10,862	2,025	8,837
Fuel Oil	8,500		8,500	-	8,500
Gasoline	20,297		20,297	19,870	427
Public Defender					
Other Expenses	5,996	200	6,196	4,599	1,597
Cost of PEOSHA Requirement					
Other Expenses	14,273		14,273		14,273
Municipal Prosecutor's Office					
Other Expenses	868		868	868	-
Municipal Court					
Salaries and Wages	3,744		3,744		3,744
Other Expenses	3,358	909	4,267	1,296	2,971
Social Security System	38,449		38,449		38,449
U.S. EPA - 3196H Watershed Plan - Match	38,600		38,600		38,600
Defined Contribution Retirement Contribution	590		590		590
Unemployment	2,127		2,127		2,127
LOSAP	1,200		1,200		1,200
Capital Improvements					
Road Repairs and Improvements		468	468	468	-
Insurance					
General Liability	20,006		20,006		20,006
Employee Group Health	125,025		125,025		125,025
Contingent	1,680	-	1,680	-	1,680
	<u>\$ 877,411</u>	<u>\$ 414,284</u>	<u>\$ 1,291,695</u>	<u>\$ 529,157</u>	<u>\$ 762,538</u>

Appropriation Reserves \$ 877,411  
Transferred from Reserve for Encumbrances 414,284

\$ 1,291,695

Cash Disbursements \$ 529,157

**TOWNSHIP OF READINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2018	\$ 414,284
Increased by:	
Charges to 2018 Budget Appropriations	<u>384,722</u>
	799,006
Decreased by:	
Restored to Appropriation Reserves	<u>414,284</u>
Balance, December 31, 2018	<u><u>\$ 384,722</u></u>

**STATEMENT OF PREPAID TAXES**

Balance, January 1, 2018	\$ 4,994,110
Increased by:	
Collection - 2019 Taxes	<u>533,978</u>
	5,528,088
Decreased by:	
Application to 2018 Taxes Receivable	<u>4,994,110</u>
Balance, December 31, 2018	<u><u>\$ 533,978</u></u>

**TOWNSHIP OF READINGTON  
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2018		\$ 575,902
Increased by:		
Cash Receipts		143,307
		719,209
Decreased by:		
Applied to Current Year Taxes	\$ 548,678	
Cash Disbursements	62,377	
		611,055
Balance, December 31, 2018		\$ 108,154

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2018		\$ 22,494
Increased by:		
2018 Tax Levy	\$ 10,117,339	
Library Taxes	993,482	
Open Space Taxes	966,250	
2018 Added Taxes (54:4-63.1 et seq.)	41,956	
		12,119,027
		12,141,521
Decreased by:		
Payments		12,099,565
Balance, December 31, 2018		\$ 41,956

**STATEMENT OF SCHOOL TAXES PAYABLE**

Increased by:		
Levy - Calendar Year		\$ 30,212,810
Decreased by:		
Payments		30,211,810
Balance, December 31, 2018		\$ 1,000

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

Balance, January 1, 2018	\$ 3,052,130
Increased by:	
Levy - Calendar Year	<u>19,009,477</u>
	22,061,607
Decreased by:	
Payments	<u>18,602,336</u>
Balance, December 31, 2018	<u>\$ 3,459,271</u>

**STATEMENT OF MISCELLANEOUS FEES PAYABLE**

	Balance, January 1, <u>2018</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2018</u>
Due State - Marriage License Fees	\$ 450	\$ 2,450	\$ 2,350	\$ 550
Due State - DCA Training Fees	6,492	33,286	29,350	10,428
Due County - Food Inspections	<u>6,175</u>	<u>13,050</u>	<u>17,050</u>	<u>2,175</u>
	<u>\$ 13,117</u>	<u>\$ 48,786</u>	<u>\$ 48,750</u>	<u>\$ 13,153</u>

**STATEMENT OF RESERVE FOR MASTER PLAN**

Balance, January 1, 2018	\$ 76,514
Decreased by:	
Cancelled	<u>76,514</u>
Balance, December 31, 2018	<u>\$ -</u>



**TOWNSHIP OF READINGTON  
STATEMENT OF AMOUNT DUE FROM SEWER OPERATING FUND**

Increased by:

Disbursements Made on behalf of Sewer Operating Fund \$ 28,797

Balance, December 31, 2018 \$ 28,797

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

	Balance, January 1, <u>2018</u>	Accrued	Decreased by Cash Receipts Collected by <u>Current Fund</u>	Balance, December 31, <u>2018</u>
Clean Communities Program		\$ 51,293	\$ 51,293	
Somerset County Pass Thru - DWI		2,976	2,976	
Click it or Ticket		770	770	
Drunk Driving Enforcement Fund		4,363	4,363	
Distracted Driver		3,386	3,386	
Alcohol Education & Rehabilitation		4,321	4,321	
Drive Sober or Get Pulled Over		3,813	3,813	
NJ Historical Commission - Museum		4,500	3,375	\$ 1,125
391-H Grant Watershed	\$ 635,334		104,537	530,797
Tarentino Police Grant	<u>3,730</u>	<u>-</u>	<u>3,730</u>	<u>-</u>
	<u>\$ 639,064</u>	<u>\$ 75,422</u>	<u>\$ 182,564</u>	<u>\$ 531,922</u>

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

	Balance, January 1, <u>2018</u>	Transferred from 2018 <u>Appropriations</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
Clean Communities Program		\$ 51,293	\$ 51,293	
Drunk Driving Enforcement Fund	\$ 15,632	4,363	5,945	\$ 14,050
Body Armor Grant	2,348		2,348	-
Click it or Ticket	-	770	770	-
Trails Grant NJDEP	1,147		1,147	-
Alcohol Education & Rehabilitation	14,365	4,321		18,686
Drive Sober or Get Pulled Over		3,813	3,813	-
NJ Environmental Commission - ANJEC	800			800
NJ Historical Commission - Museum		4,500		4,500
Somerset County Pass Thru DWI		2,976	2,976	
Distracted Driver		3,386	3,386	-
391-H Grant Watershed	626,028		173,979	452,049
Tarentino Police Grant	<u>1,304</u>	<u>-</u>	<u>1,304</u>	<u>-</u>
	<u>\$ 661,624</u>	<u>\$ 75,422</u>	<u>\$ 246,961</u>	<u>\$ 490,085</u>
			\$ 208,178	
			<u>38,783</u>	
			<u>\$ 246,961</u>	

Cash Disbursements Paid by Current Fund \$ 208,178  
Reserve for Encumbrances 38,783  
  
\$ 246,961

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

Balance, January 1, 2018 (Due From)		\$ 22,989
Increased by:		
Grant Receipts Collected by Current Fund		<u>182,564</u>
		205,553
Decreased by:		
Grant Disbursements Paid by Current Fund		
Appropriated Grant Reserves	\$ 208,178	
Grant Encumbrances	<u>429</u>	
		<u>208,607</u>
Balance, December 31, 2018 (Due To)		<u>\$ (3,054)</u>

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

Balance, January 1, 2018		\$ 14,009
Increased by:		
Cash Receipts		<u>6,663</u>
		20,672
Decreased by:		
Utilized as Revenue in 2018 Budget		<u>14,009</u>
Balance, December 31, 2018		<u><u>\$ 6,663</u></u>

**STATEMENT OF RESERVE FOR TAX SALE PREMIUMS**

Balance, January 1, 2018		\$ 732,400
Increased by:		
Cash Receipts		<u>73,400</u>
		805,800
Decreased by:		
Cancelled	\$ 38,000	
Cash Disbursements	<u>490,900</u>	
		<u>528,900</u>
Balance, December 31, 2018		<u><u>\$ 276,900</u></u>

**STATEMENT OF RESERVE FOR OUTSIDE TAX LIENS**

Increased by:		
Cash Receipts		<u>\$ 675,870</u>
Decreased by:		
Cash Disbursements		<u>\$ 675,870</u>

**STATEMENT OF RESERVE FOR TAX APPEALS PENDING**

Balance, January 1, 2018		<u>\$ 308,002</u>
Balance, December 31, 2018		<u><u>\$ 308,002</u></u>

**TOWNSHIP OF READINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE  
GRANTS FUND**

Balance, January 1, 2018		\$ 429
Increased by:		
Charges to Appropriated Grant Reserves		<u>38,783</u>
		39,212
Decreased by:		
Cash Disbursements		<u>429</u>
Balance, December 31, 2018		<u>\$ 38,783</u>

**STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE**

Increased by:		
2018 Tax Levy	\$ 521,041	
2018 Added Taxes (54:4-63.1 et seq.)	<u>1,809</u>	
		<u>\$ 522,850</u>
Decreased by:		
Payments		<u>\$ 522,850</u>

**TRUST FUND**

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

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2018	\$ 9,542	\$ 1,616,874
Increased by Receipts:		
Miscellaneous Reserves		\$ 6,117,674
Interest Earned	\$ 118	10,214
Prepaid Dog Licenses	7,487	
Due to State of New Jersey	3,199	
Dog License Fees/Late Fees	<u>25,233</u>	<u>-</u>
	<u>36,037</u>	<u>6,127,888</u>
	45,579	7,744,762
Decreased by Disbursements:		
Due to State of New Jersey	3,317	15,616
Expenditures Under (RS 4:19-15.11)	30,080	
Payments to Current Fund	118	10,214
Miscellaneous Reserves	<u>-</u>	<u>5,916,175</u>
	<u>33,515</u>	<u>5,942,005</u>
Balance, December 31, 2018	<u>\$ 12,064</u>	<u>\$ 1,802,757</u>



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

Balance, January 1, 2018		\$ 17
Increased by:		
Dog License Fees Collected in 2018	\$ 20,224	
Prepaid Licenses Applied	8,659	
Late Fees	<u>5,009</u>	
		<u>33,892</u>
		33,909
Decreased by:		
Cash Disbursements		<u>30,080</u>
Balance, December 31, 2018		<u>\$ 3,829</u>

**STATEMENT OF PREPAID LICENSES  
ANIMAL CONTROL FUND**

Balance, January 1, 2018		\$ 8,659
Increased by:		
2019 License Fees Collected		<u>7,487</u>
		16,146
Decreased by:		
Applied in 2018		<u>8,659</u>
Balance, December 31, 2018		<u>\$ 7,487</u>

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

Balance, January 1, 2018		\$ 866
Increased by:		
State Fees Collected in 2018		<u>3,199</u>
		4,065
Decreased by:		
Payments to State of New Jersey		<u>3,317</u>
Balance, December 31, 2018		<u>\$ 748</u>

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

Increased by:	
Interest Earned	\$ 118
Decreased by:	
Payments to Current Fund	<u>118</u>
Balance, December 31, 2018	<u><u>\$ -</u></u>

**STATEMENT OF ACCOUNTS RECEIVABLE  
OTHER TRUST FUND**

Balance, January 1, 2018	\$ 400,000
Decreased by:	
Cancelled	<u>400,000</u>
Balance, December 31, 2018	<u><u>\$ -</u></u>

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

Increased by:		
Interest Earned	\$	10,214
Decreased by:		
Payments to Current Fund		<u>10,214</u>
Balance, December 31, 2018	\$	<u><u>-</u></u>

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

Increased by:		
Unemployment Compensation Claims	\$	19,702
Decreased by:		
Cash Disbursements		<u>15,616</u>
Balance, December 31, 2018	\$	<u><u>4,086</u></u>

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

	Balance, January 1, <u>2018</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2018</u>
Open Space	\$ 39,838	\$ 523,308	\$ 527,015	\$ 36,131
Unemployment	61,523	9,099	19,702	50,920
General:				
Police Escrow	25,644	126,200	120,098	31,746
Public Defender	14,462	7,446	11,208	10,700
Parking Offenses Adjudication Act	74	-	-	74
Library	13,914	2,046	231	15,729
Museum	51,476	3,603	1,000	54,079
Board of Health Escrow	197,158	39,352	15,564	220,946
Housing:				
Deposits	170,901	272,727	201,692	241,936
Loans Receivable	400,000	-	400,000	-
COAH	2,042	1	36	2,007
Developers Escrow	811,644	420,762	346,348	886,058
Recreation	20,069	557,987	534,508	43,548
Driveway Apron/Maintenance	154,389	4,995	13,180	146,204
Payroll Deduction	53,257	4,145,029	4,140,940	57,346
Flexible Spending	462	5,119	4,355	1,226
Forfeited Funds	21	-	-	21
	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
 Total	 <u>\$ 2,016,874</u>	 <u>\$ 6,117,674</u>	 <u>\$ 6,335,877</u>	 <u>\$ 1,798,671</u>

Cash Receipts	\$ 6,117,674	
Cash Disbursements		\$ 5,916,175
Amount Due to State of New Jersey		19,702
Loans Receivable Cancelled	<u>-</u>	<u>400,000</u>
	<u>\$ 6,117,674</u>	<u>\$ 6,335,877</u>

**GENERAL CAPITAL FUND**

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

Balance, January 1, 2018		\$ 138,873
Increased by Receipts:		
Bond Anticipation Notes	\$ 7,245,922	
Serial Bonds Issued	6,278,000	
Capital Improvement Fund - Budget Appropriation	175,000	
Reserve for Road Improvements	5,000	
Cash Receipts - Deferred Charges Unfunded	283,495	
Premium on Sale of Bonds and Notes	116,066	
Receipts from Housing Trust Fund	80,000	
Receipts from Current Fund	43,220	
Reserve for Debt Service	28,764	
Cash Receipts - Fund Balance	19,523	
Interest Earned	<u>63,370</u>	
		<u>14,338,360</u>
		14,477,233
Decreased by Disbursements:		
Bond Anticipation Notes	6,418,781	
Improvement Authorizations	2,485,981	
Contracts Payable	602,179	
Payments to Current Fund	<u>503,370</u>	
		<u>10,010,311</u>
Balance, December 31, 2018		<u>\$ 4,466,922</u>

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

	Balance, December 31, <u>2018</u>
Fund Balance	\$ 234,697
Capital Improvement Fund	90,229
Contracts Payable	1,132,245
Reserve for Emergency Vehicles	4,240
Reserve for Road Improvements	187,250
Reserve for Green Acres Settlement	509,726
Reserve for Payment of Debt	149,079
Excess Note Proceeds - Ordinance 9-22	28,469
Excess Note Proceeds - Ordinance 12-29	72,026
Excess Note Proceeds - Ordinance 16-4	113,018
Improvement	
<u>Authorizations:</u>	
03-24/04-27 Acquisition of Property - O'Urso	(805,224)
05-21/06-33 Various Capital Improvements	88,405
05-22/14-19 Various Capital Improvements	826,972
06-41 Various Capital Improvements	28,895
09-23 Acquisition of Property	(2)
14-11 Various Capital Improvements	576,208
15-10 Acquisition of Affordable Housing Unit	135,000
16-4 Various Capital Improvements	123,002
17-07 Various Capital Improvements	358,738
17-09 Acquisition of Sewer Capacity	1,784,420
17-10 Acquisition of Property	153,000
17-12 Acquisition of Property - Affordable Housing	405,674
18-1 Acquisition of Property - Affordable Housing	(59,509)
18-5 Various Improvements	(1,682,537)
18-10 Market to Affordable Program	7,901
18-18 Acquisition of Affordable Housing Unit	<u>5,000</u>
	 <u>\$ 4,466,922</u>

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

Balance, January 1, 2018		\$ 43,220
Increased by:		
Disbursements to Current Fund		<u>503,370</u>
		546,590
Decreased By:		
Fund Balance Anticipated as Current Fund Revenue	\$ 440,000	
Receipts from Current Fund	43,220	
Interest Earned	<u>63,370</u>	
		<u>546,590</u>
Balance, December 31, 2018		<u><u>\$ -</u></u>

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

Balance, January 1, 2018		\$ 38,987,544
Increased by:		
General Improvement Bonds Issued		<u>6,278,000</u>
		45,265,544
Decreased by:		
Current Fund Budget Appropriations:		
Serial Bonds Payable	\$ 2,059,000	
Loans Paid	<u>367,586</u>	
		<u>2,426,586</u>
Balance, December 31, 2018		<u><u>\$ 42,838,958</u></u>



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

Ord. No.	General Improvements	Balance January 1, 2018	2018 Authorizations	State/ County Aid Received	Notes Paid By Budget Appropriation	Serial Bonds Issued	Balance, December 31, 2018	Bond Anticipation Notes Issued	Excess Proceeds	Analysis of Balance, December 31, 2018 Expenditures	Unexpended Improvement Authorizations
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	6,278,000				\$ 6,278,000	-				
09-22	Acquisition of Property	660,074		\$ 28,469			631,605	660,074	\$ (28,469)		
09-23	Acquisition of Property	1,406,413					1,406,413	1,406,411		2	
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	(72,026)		
14-21	Acquisition of Property - Affordable Housing	406,750			\$ 5,141		401,609	401,609			
15-4	Various Improvements	2,139,219					2,139,219	2,139,219			
16-04	Various Capital Improvements	1,615,100		120,000			1,495,100	1,608,118	(113,018)		
17-07	Various Capital Improvements	1,666,300					1,666,300	1,666,300			
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	3,420,000			
17-12	Acquisition of Property - Affordable Housing	840,000	-	-	-	-	840,000	759,622			80,378
18-1	Acquisition of Property - Affordable Housing		\$ 137,750	63,000			74,750			59,509	15,241
18-5	Various Improvements		1,725,200				1,725,200			1,682,537	42,663
18-10	Market to Affordable Program	-	760,000	-	-	-	760,000	-	-	-	760,000
		<u>\$ 20,776,285</u>	<u>\$ 2,622,950</u>	<u>\$ 283,495</u>	<u>\$ 5,141</u>	<u>\$ 6,278,000</u>	<u>\$ 16,832,599</u>	<u>\$ 13,600,000</u>	<u>\$ (213,513)</u>	<u>\$ 2,547,272</u>	<u>\$ 898,840</u>
											Improvement Authorizations-Unfunded
											\$ 3,570,674
											Less: Unexpended Proceeds of Bond Anticipation Notes
											Ord. 16-04
										\$ 123,002	
											Ord. 17-07
										358,738	
											Ord. 17-09
										1,784,420	
											Ord. 17-12
										\$ 405,674	
											<u>2,671,834</u>
											<u>\$ 898,840</u>

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

Balance, January 1, 2018	\$ 13,279
Increased by:	
Budget Appropriation - Capital Improvement Fund	<u>175,000</u>
	188,279
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>98,050</u>
Balance, December 31, 2018	<u>\$ 90,229</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Balance, January 1, 2018		2018 Authorizations			Balance, December 31, 2018		
		Funded	Unfunded	Capital Improvement Fund	Reserve for Housing Trust	Deferred Charges Unfunded	Expended	Funded	Unfunded
05-21/06-33	Various Capital Improvements	\$ 113,751					\$ 25,346	\$ 88,405	
05-22/14-19	Various Capital Improvements	850,392	\$ 558				23,420	826,972	\$ 558
06-41	Various Capital Improvements	74,075					45,180	28,895	
14-11	Various Capital Improvements	605,347					29,139	576,208	
15-10	Acquisition of Affordable Housing Unit	135,000					-	135,000	
16-04	Various Capital Improvements		191,047				68,045		123,002
17-07	Various Capital Improvements		401,079				42,341		358,738
17-09	Acquisition of Sewer Capacity		2,773,497				989,077		1,784,420
17-10	Acquisition of Property	153,000						153,000	
17-12	Acquisition of Property - Affordable Housing	36,535	840,000				390,483		486,052
17-15	Acquisition of Property - Affordable Housing	35,000	-				35,000		
18-1	Acquisition of Property - Affordable Housing			\$ 7,250		\$ 137,750	129,759		15,241
18-5	Various Improvements			90,800		1,725,200	1,773,337		42,663
18-10	Market to Affordable Program			-	\$ 40,000	760,000	32,099	7,901	760,000
18-18	Acquisition of Affordable Housing Unit	-	-	-	40,000	-	35,000	5,000	-
		<u>\$ 2,003,100</u>	<u>\$ 4,206,181</u>	<u>\$ 98,050</u>	<u>\$ 80,000</u>	<u>\$ 2,622,950</u>	<u>\$ 3,618,226</u>	<u>\$ 1,821,381</u>	<u>\$ 3,570,674</u>

Cash Disbursements	\$ 2,485,981
Contracts Payable	<u>1,132,245</u>
	<u>\$ 3,618,226</u>

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

Balance, January 1, 2018	\$ 602,179
Increased by:	
Charges to Improvement Authorizations	<u>1,132,245</u>
	1,734,424
Decreased by:	
Cash Disbursements	<u>602,179</u>
Balance, December 31, 2018	<u>\$ 1,132,245</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			Balance, January 1, 2018	Increased	Decreased	Balance, December 31, 2018
			December 31, 2018 Date	Amount	Interest Rate				
General Improvement Bonds	1/18/2011	\$ 11,000,000	2/1/2019	\$ 420,000	4.000%	\$ 1,535,000		\$ 380,000	\$ 1,155,000
			2/1/2020	470,000	5.000%				
			2/1/2021	265,000	5.000%				
Refunding Bonds	6/26/2014	7,945,000	7/1/2019	715,000	4.000%	6,890,000		720,000	6,170,000
			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	2/1/2019	625,000	2.000%	8,523,000		600,000	7,923,000
			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				
2/15/2020	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			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%							
General Improvement Bonds	4/12/2018	6,278,000	3/1/2019	200,000	5.000%	\$ 6,278,000			6,278,000
			3/1/2020	210,000	5.000%				
			3/1/2021	215,000	5.000%				
			3/1/2022	225,000	5.000%				
			3/1/2023	235,000	4.000%				
			3/1/2024	245,000	4.000%				
			3/1/2025	250,000	4.000%				
			3/1/2026	300,000	4.000%				
			3/1/2027	310,000	3.000%				
			3/1/2028	320,000	3.000%				
			3/1/2029	325,000	3.000%				
			3/1/2030	350,000	3.000%				
			3/1/2031	360,000	3.000%				
			3/1/2032	370,000	3.000%				
			3/1/2033	380,000	3.000%				
			3/1/2034	390,000	3.125%				
			3/1/2035	395,000	3.125%				
3/1/2036	400,000	3.250%							
3/1/2037	400,000	3.250%							
3/1/2038	398,000	3.250%							
						\$ 37,882,000	\$ 6,278,000	\$ 2,059,000	\$ 42,101,000

Serial Bonds Issued	\$ 6,278,000
Budget Appropriation	-
	<u>\$ 6,278,000</u>
	<u>\$ 2,059,000</u>

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

Balance, January 1, 2018	\$ 1,105,544
Decreased by:	
Loans Paid by Budget Appropriation	<u>367,586</u>
Balance, December 31, 2018	<u>\$ 737,958</u>

**Analysis of Balance**

Incentive	126,689
Summer Road Park	90,095
N.J. Infrastructure:	
Dreahook Road	240,629
2003	72,182
2004	<u>208,363</u>
	<u>\$ 737,958</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, 2018	Increased	Decreased	Balance, December 31, 2018
06-04	Acquisition of Property	\$ 15,000,000	2/6/2007	2/1/2017	2/1/2018	2.25%	\$ 6,278,000		\$ 6,278,000	
09-22	Acquisition of Property	3,624,000	10/9/2009	2/1/2017 1/30/2018	2/1/2018 1/29/2019	2.25% 2.00%	660,074	\$ 660,074	660,074	660,074
09-23	Acquisition of Property	3,876,000	10/9/2009	2/1/2017 1/30/2018	2/1/2018 1/29/2019	2.25% 2.00%	1,406,413	1,406,411	1,406,413	1,406,411
09-31	COAH Property	225,661	2/3/2010	2/1/2017 1/30/2018	2/1/2018 1/29/2019	2.25% 2.00%	66,621	66,621	66,621	66,621
12-29	Acquisition of Property	169,186	1/31/2013	2/1/2017 1/30/2018	2/1/2018 1/29/2019	2.25% 2.00%	72,026	72,026	72,026	72,026
14-21	Acquisition of Property	406,120	11/17/2014	2/1/2017 1/30/2018	2/1/2018 1/29/2019	2.25% 2.00%	406,750	401,609	406,750	401,609
15-4	Various Improvements	2,210,332	2/3/2016	2/1/2017 1/30/2018	2/1/2018 1/29/2019	2.25% 2.00%	2,279,998	2,139,219	2,279,998	2,139,219
16-4	Various Improvements	2,210,332	2/3/2016	2/1/2017 1/30/2018	2/1/2018 1/29/2019	2.25% 2.00%	1,608,118	1,608,118	1,608,118	1,608,118
17-07	Various Improvements			1/30/2018	1/29/2019	2.00%		1,666,300		1,666,300
17-08	Reacquire Available Sewer Capacity			1/30/2018	1/29/2019	2.00%		1,400,000		1,400,000
17-09	Reacquire Available Sewer Capacity			1/30/2018	1/29/2019	2.00%		3,420,000		3,420,000
17-12	Acquisition of Property - Oaks and Blue Sky			1/30/2018	1/29/2019	2.00%	-	759,622	-	759,622
							<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>	<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>
							Issued for Cash	\$ 7,245,922		
							Renewals	6,354,078	\$ 6,354,078	
							Paid by Budget Appropriation		5,141	
							Serial Bonds Issued		6,278,000	
							Paid - Authorized but Not Issued Reinstated		2	
							Paid by Capital Cash - Excess Note Proceeds	-	140,779	
							<u>\$ 13,600,000</u>	<u>\$ 12,778,000</u>		

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

Balance, January 1, 2018	\$ <u>4,240</u>
Balance, December 31, 2018	\$ <u><u>4,240</u></u>

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

Balance, January 1, 2018	\$ 182,250
Increased by:	
Cash Receipts	<u>5,000</u>
Balance, December 31, 2018	\$ <u><u>187,250</u></u>



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

Balance, January 1, 2018	<u>\$ 509,726</u>
Balance, December 31, 2018	<u><u>\$ 509,726</u></u>

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

Balance, January 1, 2018	\$ 120,315
Increased by:	
Cash Receipts	<u>28,764</u>
Balance, December 31, 2018	<u><u>\$ 149,079</u></u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE FROM HOUSING TRUST FUND  
GENERAL CAPITAL FUND**

Increased by:	
Ordinances Funded in 2018	\$ 80,000
Decreased by:	
Cash Receipts	<u>80,000</u>
Balance, December 31, 2018	<u><u>\$ -</u></u>

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

Ord. No. or Date	Improvement Description	Balance, January 1, <u>2018</u>	2018 <u>Authorizations</u>	ABNI <u>Reinstated</u>	Notes <u>Issued</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2018</u>
<u>General Improvements:</u>							
03-24/04-27	Acquisition of Property - O'Urso	\$ 805,224					\$ 805,224
09-23	Acquisition of Property			\$ 2			2
05-22/14-19	Various Sewer Improvements	558					558
16-4	Various Improvements	6,982				\$ 6,982	-
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			759,622		80,378
18-1	Acquisition of Affordable Housing Units	-	\$ 137,750			63,000	74,750
18-5	Various Improvements	-	1,725,200				1,725,200
18-10	Market Affordable Housing	-	760,000	-	-	-	760,000
		<u>\$ 8,139,064</u>	<u>\$ 2,622,950</u>	<u>\$ 2</u>	<u>\$7,245,922</u>	<u>\$69,982</u>	<u>\$ 3,446,112</u>

**SEWER UTILITY FUND**

**TOWNSHIP OF READINGTON  
STATEMENT OF CASH**

	<u>Operating</u>
Balance, January 1, 2018	\$ 603,239
Increased by Receipts:	
Sewer Rents	\$ 1,406,300
User Fees from Other Contracts	344,948
Miscellaneous	15,673
Sewer Overpayments	<u>2,898</u>
	<u>1,769,819</u>
	2,373,058
Decreased by Disbursements:	
2018 Budget Appropriations	1,502,434
2017 Appropriation Reserves	79,560
Payments to Current Fund	<u>175,000</u>
	<u>1,756,994</u>
Balance, December 31, 2018	<u>\$ 616,064</u>

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

Balance, January 1, 2018			\$ 104,836
Increased by:			
Billings			<u>1,415,844</u>
			1,520,680
Decreased by:			
Sewer Overpayments Applied	\$	3,487	
Collections		<u>1,406,300</u>	
			<u>1,409,787</u>
Balance, December 31, 2018			<u>\$ 110,893</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF 2017 APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND**

	Balance, January 1, <u>2018</u>	Prior Year Accounts Payable <u>Restored</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Other Expenses		\$ 23,240	22,940	\$ 300
Service Fees - RLSA	\$ 9,567			9,567
Service Fees - RTMUA	<u>72,260</u>	<u>-</u>	<u>56,620</u>	<u>15,640</u>
 Total Water Utility Appropriation Reserves	 <u>\$ 81,827</u>	 <u>\$ 23,240</u>	 <u>\$ 79,560</u>	 <u>\$ 25,507</u>
		Cash Disbursements	<u>\$ 79,560</u>	

EXHIBIT D-7

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

Balance, January 1, 2018	\$ 23,240
Increased by:	
Charges to 2018 Budget	<u>83,414</u>
	106,654
Decreased by:	
Restored to 2018 Appropriation Reserves	<u>23,240</u>
Balance, December 31, 2018	<u>\$ 83,414</u>

EXHIBIT D-8

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

Balance, January 1, 2018	\$ 3,487
Increased by:	
Cash Receipts	<u>2,898</u>
	6,385
Decreased by:	
Applied to Consumer Accounts Receivable	<u>3,487</u>
Balance, December 31, 2018	<u>\$ 2,898</u>

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

Increased by:

Refund of Sewer Capacity Paid by Current Fund

\$ 28,797

Balance, December 31, 2018

\$ 28,797

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





# LERCH, VINCI & HIGGINS, LLP

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

### INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members  
of the Township Committee  
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, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2019. 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 2018-001 that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Readington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2018-001.

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

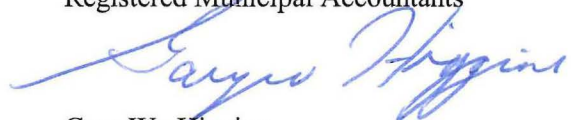
The Township of Readington's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Township of Readington's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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  
July 18, 2019

**TOWNSHIP OF READINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Federal CFDA Number</u>	<u>Original Grant Award Amount</u>	<u>Current Year Grant Receipt</u>	<u>Grant Year</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Prior Year Adjustment</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expended</u>
U.S. Department of Highway Traffic Safety										
Click it or Ticket	20.616	\$ 770	\$ 770	2018		\$ 770	\$ 770		-	\$ 770
Distracted Driver	20.616	3,386	3,386	2018		3,386	3,386		-	3,386
Drive Sober or Get Pulled Over	20.601	3,813	3,813	2018		3,813	3,813		-	3,813
U.S. Environmental Protection Agency										
Performance Partnership Grant - 391H Grant Watershed	66.605	650,000	14,666	2017	\$ 635,334		173,979	\$ 9,306	452,049	197,951
U.S. Department of Transportation										
(Passed Through State Division of Highway Traffic Safety)										
Local Municipal Aid - NJTPA	20.205	120,000	120,000	2018	-	120,000	120,000	-	-	120,000
					<u>\$ 635,334</u>	<u>\$ 127,969</u>	<u>\$ 301,948</u>	<u>\$ 9,306</u>	<u>\$ 452,049</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, 2018**

<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, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expended</u>
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	\$ 4,321	\$ 4,321	2018	-	\$ 4,321		\$ 4,321	-
		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	785			785	\$ 5,631
1110-448-031020-22	Drunk Driving Enforcement Fund	4,363	4,363	2018	-	4,363		4,363	-
		13,204		2017	13,204		3,517	9,687	3,517
		16,345		2015	2,428		2,428	-	16,345
N/A	Tarentino Police Grant	3,730	\$ 3,730	2017	1,304		1,304	-	3,730
N/A	NJ Historical Commission - Museum	4,500	\$ 3,375	2018		4,500	-	4,500	-
N/A	Clean Communities	51,293	51,293	2018	-	51,293	51,293	-	51,293
N/A	Recreation Trails Grant - NJDEP	4,600		2016	1,147		1,147	-	4,600
N/A	NJ Environmental Commission - ANJEC	800		2016	800			800	-
N/A	Planning Incentive Grant	28,469	28,469	2018		28,469	28,469	-	28,469
#1022-96-066	NJDEP - Green Acres	500,000	100,790	2018		500,000	144,063	355,937	144,063
N/A	Body Armor Replacement	2,348		2017	2,348		2,348	-	2,348
					-	-	-	-	
					<u>\$ 35,596</u>	<u>\$ 592,946</u>	<u>\$ 234,569</u>	<u>\$ 393,973</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, 2018**

**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	\$ 7,969	\$ 64,477	\$ 72,446
General Capital Fund	<u>120,000</u>	<u>528,469</u>	<u>648,469</u>
Total Financial Awards	<u>\$ 127,969</u>	<u>\$ 592,946</u>	<u>\$ 720,915</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, 2018**

**NOTE 5 STATE LOANS OUTSTANDING**

The Township's state loans outstanding at December 31, 2018, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Incentive	\$ 126,689
Summer Road Park	90,095
N.J. Infrastructure:	
Dreahook Road	240,629
2003	72,182
2004	<u>208,363</u>
	<u>\$ 737,958</u>

**TOWNSHIP OF READINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*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>      </u> no	<u>  X  </u> none
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, 2018**

*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 2018-001:**

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. Additionally, certain professional service fees encumbrances outstanding at year end were deemed invalid.

**Criteria or specific requirement:**

N.J.A.C. 5:30-5.2, "Encumbrance Systems"

**Condition:**

See Finding 2018-001.

**Questioned Costs:**

Not Applicable.

**Context:**

- Certain not to exceed unit cost contracts approved by the Governing Body were not encumbered at the time of award by governing body.
- 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 certain recurring expenses were not recorded in the Current and Sewer Utility Operating Funds subsequent to the adoption of the budget.
- Certain expenditures in the Current, General Capital and Sewer Utility Operating Funds totaling \$43,899, \$995,075 and \$76,360, respectively, were not encumbered at December 31, 2018.
- Encumbrances in the Current Fund totaling \$196,727 were deemed to be invalid.

**Effect:**

Audit adjustments were made to reflect unrecorded liabilities and to cancel invalid encumbrances. Sufficient balances were available in the respective budget line item or ordinance appropriation.

**Cause:**

Unknown.

**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, 2018**

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**

**Finding 2017-001**

The audit indicated that various purchase orders for goods or services were not encumbered prior to the goods or services being received, the services being rendered or contracts being awarded.

**Current Status**

See Finding 2018-001.

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

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

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

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,852,000	2.23%	\$ 1,756,000	2.15%
Miscellaneous - From Other Than Local				
Property Tax Levies	3,514,059	4.23%	4,226,015	5.18%
Collection of Delinquent Taxes and Tax Title Liens	569,374	0.69%	702,441	0.86%
Collection of Current Tax Levy	76,140,674	91.79%	74,462,784	91.28%
Other Credits	<u>877,052</u>	<u>1.06%</u>	<u>431,547</u>	<u>0.53%</u>
 Total Income	 <u>82,953,159</u>	 <u>100.00%</u>	 <u>81,578,787</u>	 <u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	18,943,243	23.43%	19,273,039	24.16%
County Taxes	12,119,027	14.99%	11,989,815	15.03%
Local School Taxes	30,212,810	37.38%	29,299,293	36.73%
Regional School Taxes	19,009,477	23.51%	18,681,639	23.42%
Municipal Open Space Taxes	522,850	0.65%	523,444	0.66%
Other Expenditures	<u>34,602</u>	<u>0.04%</u>	<u>465</u>	<u>0.00%</u>
 Total Expenditures	 <u>80,842,009</u>	 <u>100.00%</u>	 <u>79,767,695</u>	 <u>100.00%</u>
 Excess in Revenue	 2,111,150		 1,811,092	
Fund Balance, January 1	<u>2,709,779</u>		<u>2,654,687</u>	
	4,820,929		4,465,779	
Less Utilization as Anticipated Revenue	<u>1,852,000</u>		<u>1,756,000</u>	
Fund Balance, December 31	<u>\$ 2,968,929</u>		<u>\$ 2,709,779</u>	

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

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

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 74,686	3.99%	\$ 81,390	4.33%
Rents	1,409,787	75.37%	1,399,471	74.44%
Miscellaneous	360,621	19.28%	216,984	11.54%
Other Credits	<u>25,507</u>	<u>1.36%</u>	<u>182,101</u>	<u>9.69%</u>
Total Income	<u>1,870,601</u>	<u>100.00%</u>	<u>1,879,946</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	1,623,296	97.73%	1,620,000	99.45%
Deferred Charges and Statutory Expenditures	8,890	0.54%	8,890	0.55%
Refund of Sewer Capacity	<u>28,797</u>	<u>1.73%</u>	<u>-</u>	<u>0.00%</u>
Total Expenditures	<u>1,660,983</u>	<u>100.00%</u>	<u>1,628,890</u>	<u>100.00%</u>
Excess in Revenue	209,618		251,056	
Fund Balance, January 1	<u>494,685</u>		<u>325,019</u>	
	704,303		576,075	
Decreased by:				
Utilized by Current Fund Budget	175,000			
Utilized by Sewer Operating Fund Budget	<u>74,686</u>		<u>81,390</u>	
Fund Balance, December 31	<u>\$ 454,617</u>		<u>\$ 494,685</u>	

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**Comparative Schedule Of Tax Rate Information**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$2.936</u>	<u>\$2.868</u>	<u>\$2.800</u>
Municipal	.562	.553	0.528
Municipal Open Space	.020	.020	0.020
County	.465	.458	0.440
Local School	1.160	1.122	1.112
Regional School	.729	.715	0.700

Assessed Valuation

2018	<u>\$2,605,464,598</u>
2017	<u>\$2,612,429,913</u>
2016	<u>\$2,593,333,060</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				Percentage of
<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>		<u>Collection</u>
2018	\$ 76,761,008	\$ 76,140,674		99.19%
2017	75,061,553	74,462,784		99.20%
2016	73,004,964	72,209,785		98.91%

**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					Percentage of
<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>		<u>Total Delinquent</u>	<u>Tax Levy</u>
2018	\$ 565,874	\$ 114,671	\$	680,545	0.89%
2017	569,374	111,535		680,909	0.91%
2016	702,441	108,472		810,913	1.11%

**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>
2018	\$1,415,844	\$1,409,787	99.57%
2017	1,402,067	1,399,471	99.81
2016	1,386,822	1,388,663	100.13

\* 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>	2018	\$2,968,929	\$1,935,000
	2017	2,709,779	1,852,000
	2016	2,654,687	1,756,000
	2015	2,110,057	1,055,000
<u>Sewer Utility Operating Fund</u>	2018	\$454,617	\$31,000
	2017	494,685	74,686
	2016	325,019	81,390
	2015	302,212	57,992

**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 Albanese	Township Committee
M. Elizabeth Duffy	Township Committee
Jonathan Heller	Township Committee
Vita Mekovetz	Administrator, Clerk, Treasurer, Qualified Purchasing Agent
Thomas Carro	Chief Financial Officer
Michael Balogh	Tax Collector, Sewer Collector, Tax Search Officer
Laura Whitaker	Tax Assessor
Gerard Shamey	Municipal Court Judge
Kimberly Marino	Municipal Court Administrator (Thru August 2018)
Ruth Mulligan	Municipal Court Administrator (August 2018 to October 2018)
Julie Kosakowski	Municipal Court Administrator (From October 2018)
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**

**Current Year**

The audit noted that certain bank deposits were not made within 48 hours of receipt. It is recommended that all bank Township deposits be made within 48 hours of receipt.

The audit of the Municipal Court indicated that the Tickets Assigned Not Issued Report includes 350 tickets that were outstanding in excess of six months as of December 31, 2018. No recommendation is warranted since the new Court Administrator recalled these tickets in 2019.

**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:

- 2018 Road Reclamation
- Van Horne Road Resurfacing
- Rock Salt
- Municipal Solid Waste Trash Collection and Recycling

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 2, 2018 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 2018 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 by 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 18, 2018 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>
2018	5
2017	5
2016	5

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

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS**

It is recommended that:

- \* 1. Internal controls over the Township's encumbrance accounting system be reviewed and enhanced.
- 2. All Township bank deposits be made within 48 hours of receipt.

\*\*\*\*\*

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

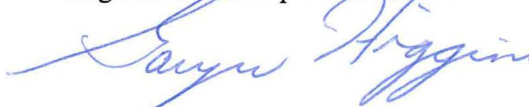
A review was performed on the prior year recommendation and corrective action was taken on all except the recommendation noted with an asterisk (\*) above.

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