

**TOWNSHIP OF BERKELEY HEIGHTS
COUNTY OF UNION
NEW JERSEY**

**REPORT ON
EXAMINATION OF ACCOUNTS
FOR THE YEAR 2018**

**SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

TOWNSHIP OF BERKELEY HEIGHTS
COUNTY OF UNION, NEW JERSEY

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PART I
REPORT ON EXAMINATION
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
AND
SUPPLEMENTARY EXHIBITS
YEAR ENDED DECEMBER 31, 2018

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Township Council
Township of Berkeley Heights
Berkeley Heights, New Jersey 07922

Report on the Financial Statements

We have audited the financial statements - regulatory basis of the various funds and account groups of the Township of Berkeley Heights in the County of Union, as of and for the years then ended December 31, 2018 and December 31, 2017 and the related notes to the financial statements - regulatory basis, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements - regulatory basis in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements - regulatory basis that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements - regulatory basis. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements - regulatory basis, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements - regulatory basis 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 Township'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 - regulatory basis.

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, these financial statements - regulatory basis have been prepared in conformity with accounting principles 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 demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "*Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles*" paragraph, the financial statements - regulatory basis referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the results of its operations for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements - regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Berkeley Heights at December 31, 2018 and 2017, and the results of operations and changes in fund balance, where applicable, of such funds, hereof for the years then ended, in accordance with accounting principles on the basis of financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements - regulatory basis that collectively comprise the Township's financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements - regulatory basis.

The supplementary schedules 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 are fairly stated, in all material respects, in relation to the financial statements - regulatory basis taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2019 on our consideration of the Township of Berkeley Heights 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 solely 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 Berkeley Heights 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 Berkeley Heights internal control over financial reporting and compliance.



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey
August 19, 2019

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

A
Sheet #1

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<u>Regular Fund</u>			
Cash - Treasurer	A-4	\$4,713,833.01	\$ 10,934,563.83
Cash - Change Fund	A-8	400.00	400.00
Due to State of New Jersey Per Chapter 129, P.L. 1976 - Senior Citizens' Deductions	A-10	5,834.33	5,489.13
		<u>4,720,067.34</u>	<u>10,940,452.96</u>
Receivables and Other Assets with Full Reserves:			
Tax Title Liens Receivable	A-6	99,220.73	91,632.73
Delinquent Property Taxes Receivable	A-11	342,692.61	311,154.51
Sewer User Charges Receivable	A-18	50,215.05	48,667.19
Revenue Accounts Receivable	A-12	11,378.24	9,873.61
Interfunds	A-22	12,907.23	5,245.73
		<u>516,413.86</u>	<u>466,573.77</u>
Deferred Charges:			
Overexpenditure of Appropriation Reserves	A-26	23,292.47	
		<u>5,259,773.67</u>	<u>11,407,026.73</u>
<u>Grant Fund</u>			
Interfunds	A-19	481,085.45	685,624.63
Grants Receivable	A-23	128,250.00	154,299.00
		<u>609,335.45</u>	<u>839,923.63</u>
		<u>\$5,869,109.12</u>	<u>\$12,246,950.36</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

A
Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<u>Regular Fund</u>			
Appropriation Reserves:			
Unencumbered	A-3,13	\$ 955,301.98	\$ 995,193.65
Encumbered	A-3,13	407,933.39	242,137.74
Accounts Payable - Current Fund	A-5	68,136.12	68,136.12
Sewer Overpayments	A-7	55,128.83	55,128.83
Prepaid Taxes	A-16	382,548.09	6,839,247.67
Tax Overpayments	A-17	22,429.87	14,718.76
County Taxes Payable	A-20	53,489.67	58,844.31
School Taxes Payable	A-21	3.00	33.00
Interfunds	A-22	937,677.89	649,224.54
Reserve for Various Deposits	A-24	6,795.08	6,795.08
Due to State of New Jersey	A-25	30,832.00	175.00
		2,920,275.92	8,929,634.70
Reserve for Receivables		516,413.86	466,573.77
Fund Balance	A-1	1,823,083.89	2,010,818.26
		5,259,773.67	11,407,026.73
 <u>Grant Fund</u>			
Interfunds	A-19	17,641.12	
Reserve for Grants - Unappropriated	A-14	81,263.87	239,038.97
Reserve for Grants - Appropriated	A-15	510,430.46	600,884.66
		609,335.45	839,923.63
		\$5,869,109.12	\$12,246,950.36

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS

A-1

	<u>Ref.</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 1,065,000.00	\$ 750,000.00
Miscellaneous Revenue Anticipated	A-2	4,190,791.47	4,443,485.24
Receipts from Delinquent Taxes	A-2	301,231.11	420,483.99
Receipts from Current Taxes	A-2a	74,424,484.62	73,212,837.98
Nonbudget Revenue	A-2a	139,606.51	278,817.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	328,567.61	252,793.76
Grant Reserves Cancelled	A-22	9,144.88	
Total Revenue and Other Income Realized		<u>80,458,826.20</u>	<u>79,358,417.97</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations			
(Within "CAPS"):			
Operations (Including Contingent)		13,468,930.00	12,993,954.00
Deferred Charges and Statutory Expenditures -			
Municipal		1,757,620.12	1,691,508.00
Budget (Excluded from "CAPS"):			
Operations		1,556,503.94	1,676,573.38
Capital Improvements		280,436.06	255,750.00
Municipal Debt Service		<u>2,107,725.94</u>	<u>1,836,864.56</u>
	A-3	19,171,216.06	18,454,649.94
Petty Cash Reimbursement	A-4	184.30	
Cancellations of Tax Overpayments			10,953.14
County Taxes	A-20	17,858,153.19	18,239,974.75
Added and Omitted County Taxes	A-20	53,552.52	58,907.66
Local School District Taxes	A-21	42,490,793.00	41,382,086.00
Grant Reserves Cancelled			186.17
Interfund Charges	A-22	<u>7,661.50</u>	<u>5,245.73</u>
Total Expenditures		<u>79,581,560.57</u>	<u>78,152,003.39</u>
Excess in Revenue		877,265.63	1,206,414.58
<u>Fund Balance</u>			
Balance January 1	A	<u>2,010,818.26</u>	<u>1,554,403.68</u>
		2,888,083.89	2,760,818.26
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>1,065,000.00</u>	<u>750,000.00</u>
Balance December 31	A	<u>\$ 1,823,083.89</u>	<u>\$ 2,010,818.26</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF REVENUE - REGULATORY BASIS

A-2

		<u>Anticipated</u>		<u>Excess or</u>
	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,065,000.00	\$ 1,065,000.00	\$
Miscellaneous Revenues:				
Fees and Permits	A-2a	447,500.00	315,326.43	(132,173.57)
Licenses:				
Alcoholic Beverages	A-12	16,150.00	18,536.88	2,386.88
Other	A-12	2,100.00	7,104.00	5,004.00
Fines and Costs:				
Municipal Court	A-12	125,000.00	133,451.52	8,451.52
Construction Code Official	A-12	415,000.00	485,830.00	70,830.00
Cable TV Franchise Fee	A-12	200,000.00	203,351.06	3,351.06
Consolidated Municipal Property Tax Relief Aid	A-12	111,295.00	111,295.00	
Energy Receipts Tax	A-12	1,429,296.00	1,429,296.00	
Interest and Costs on Taxes	A-12	105,000.00	84,144.11	(20,855.89)
Interest on Investments and Deposits	A-12	5,000.00	81,269.70	76,269.70
Recycling Refund	A-12	17,500.00	17,607.60	107.60
Library Reimbursement of Costs	A-12	265,000.00	265,000.00	
Rents of Township Property	A-12	218,500.00	254,996.98	36,496.98
Uniform Fire Safety Act	A-12	43,000.00	56,576.15	13,576.15
Board of Education - Fuel Reimbursement	A-12	17,000.00	35,071.72	18,071.72
Sewer User Charges	A-18	260,000.00	386,272.32	126,272.32
Body Armor Replacement Program	A-23	2,589.00	2,589.00	
Union County Infrastructure Grant	A-23	50,000.00	50,000.00	
CDBG - Senior Citizen Center Program	A-23	9,211.50	9,211.50	
Clean Communities Program	A-23	26,291.52	26,291.52	
Department of Transportation - Park Avenue	A-23	130,436.06	130,436.06	
Greening Union County	A-23	2,500.00	2,500.00	
Municipal Alliance	A-23	14,123.00	14,123.00	
Recycling Tonnage Grant	A-23	17,452.05	17,452.05	
Union County - Kids Recreation	A-23	53,058.87	53,058.87	
	A-1	<u>3,983,003.00</u>	<u>4,190,791.47</u>	<u>207,788.47</u>
Receipts from Delinquent Taxes	A-1,11	<u>310,000.00</u>	<u>301,231.11</u>	<u>(8,768.89)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Budget	A-11	13,291,431.12	13,467,238.91	175,807.79
Minimum Library Tax	A-11	<u>1,107,747.00</u>	<u>1,107,747.00</u>	
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2a	<u>14,399,178.12</u>	<u>14,574,985.91</u>	<u>175,807.79</u>
Total Budget Revenue		19,757,181.12	20,132,008.49	374,827.37
Nonbudget Revenue	A-2a	<u>139,606.51</u>	<u>139,606.51</u>	<u>139,606.51</u>
		<u>\$ 19,757,181.12</u>	<u>\$ 20,271,615.00</u>	<u>\$ 514,433.88</u>

Reference

A-3

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF REVENUE (Continued)
ANALYSIS OF REALIZED REVENUE - REGULATORY BASIS

A-2a

	<u>Ref.</u>	
<u>Allocation of Current Tax Collections</u>		
Collected on a Cash Basis	A-1,11	\$74,424,484.62
Allocated to:		
School and County Taxes	A-20,21	<u>60,402,498.71</u>
Balance for Support of Municipal Budget Appropriations		14,021,985.91
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>553,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$14,574,985.91</u>
Fees and Permits:		
Clerk	A-12	\$ 220,841.76
Police Department	A-12	2,555.87
Engineering/Planning Board	A-12	59,248.00
Board of Health	A-12	<u>32,680.80</u>
	A-2	<u>\$ 315,326.43</u>
<u>Analysis of Nonbudget Budget</u>		
Miscellaneous Revenue Not Anticipated:		
Treasurer:		
Senior Citizens - Administration Fee		\$ 1,514.25
Miscellaneous		<u>138,092.26</u>
	A-1,2,4	<u>\$ 139,606.51</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #1

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 196,000.00	\$ 196,500.00	\$ 196,322.54	\$ 28,501.37	\$ 177.46	\$
Other Expenses	132,750.00	122,750.00	78,410.46		15,838.17	
Mayor and Council:						
Salaries and Wages	4,000.00	4,000.00	4,000.00			
Other Expenses	1,225.00	1,225.00	475.00		750.00	
Township Council:						
Salaries and Wages	21,000.00	21,000.00	21,000.00			
Other Expenses	3,200.00	3,200.00	1,106.68	362.79	1,730.53	
Municipal Clerk:						
Salaries and Wages	144,000.00	144,250.00	143,960.02		289.98	
Other Expenses	59,900.00	49,900.00	26,905.20	5,069.56	17,925.24	
Financial Administration:						
Salaries and Wages	187,250.00	160,250.00	158,077.69		2,172.31	
Other Expenses	30,400.00	30,400.00	18,222.98	7,076.56	5,100.46	
Annual Audit	50,000.00	50,000.00	48,908.00		1,092.00	
Tax Collection:						
Salaries and Wages	68,000.00	68,000.00	67,918.82		81.18	
Other Expenses	4,850.00	4,850.00	4,382.75		467.25	
Assessment of Taxes:						
Salaries and Wages	51,000.00	48,000.00	45,628.12		2,371.88	
Other Expenses	31,625.00	26,625.00	11,498.26	670.44	14,456.30	
Legal Services and Costs:						
Other Expenses	225,000.00	225,000.00	180,763.62	10,259.50	33,976.88	
Municipal Court:						
Salaries and Wages	27,500.00	27,500.00	26,343.84		1,156.16	
Other Expenses	110,000.00	110,000.00	97,870.30	4,652.24	7,477.46	
Engineering Services and Costs:						
Salaries and Wages	222,000.00	196,000.00	193,608.25		2,391.75	
Other Expenses	100,950.00	90,950.00	46,237.14	24,935.34	19,777.52	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #2

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Planning Board:						
Other Expenses	\$ 71,300.00	\$ 71,300.00	\$ 48,254.90	\$ 121.82	\$ 22,923.28	\$
Zoning Board of Adjustment:						
Salaries and Wages	2,000.00	2,000.00	2,000.00			
Other Expenses	10,650.00	10,650.00	7,491.18	446.90	2,711.92	
Affordable Housing:						
Other Expenses	75,000.00	47,000.00	40,161.12		6,838.88	
Insurance:						
General Liability	500,000.00	488,000.00	442,947.89	16,231.47	28,820.64	
Group Health	2,747,280.00	2,577,280.00	2,431,148.03	13,913.81	132,218.16	
Health Benefit Waiver	45,000.00	45,000.00	37,791.82		7,208.18	
	5,121,880.00	4,821,630.00	4,381,434.61	112,241.80	327,953.59	
<u>PUBLIC SAFETY</u>						
Fire Prevention:						
Fire Official:						
Salaries and Wages	32,000.00	27,000.00	21,817.22		5,182.78	
Other Expenses	7,400.00	7,400.00	2,509.83	425.17	4,465.00	
Fire:						
Salaries and Wages	5,000.00	2,500.00	1,387.04		1,112.96	
Other Expenses	134,350.00	143,350.00	119,248.88	23,473.56	627.56	
Fire Hydrant Services	185,000.00	185,000.00	138,032.59	384.16	46,583.25	
Police:						
Salaries and Wages	3,418,000.00	3,493,000.00	3,470,018.84	42,360.57	22,981.16	
Other Expenses	190,000.00	190,000.00	131,935.83		15,703.60	
Traffic Control Schools:						
Salaries and Wages	120,000.00	105,000.00	96,783.96		8,216.04	
Other Expenses	5,000.00	5,000.00	1,997.81		3,002.19	
Municipal Prosecutor:						
Salaries and Wages	16,000.00	16,000.00	15,824.88		175.12	
Emergency Management:						
Salaries and Wages	10,500.00	9,000.00	8,999.92		0.08	
Other Expenses	4,000.00	4,000.00	1,545.00		2,455.00	
Public Defender:						
Salaries and Wages	7,500.00	7,500.00	5,762.76		1,737.24	
Aid to Volunteer Ambulance:						
Other Expenses	7,500.00	7,500.00			7,500.00	
	4,142,250.00	4,202,250.00	4,015,864.56	66,643.46	119,741.98	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #3

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
APPROPRIATIONS WITHIN "CAPS"						
PUBLIC WORKS						
Road Repairs and Maintenance:						
Salaries and Wages	\$ 562,000.00	\$ 617,000.00	\$ 599,075.55	\$ 17,924.45	\$ 17,924.45	\$
Other Expenses	80,150.00	80,150.00	66,016.66	1,675.47	12,457.87	
Sanitation:						
Solid Waste Collection:						
Other	310,000.00	324,000.00	284,215.30	27,670.65	12,114.05	
Maintenance of Sewer Plant:						
Salaries and Wages	548,500.00	548,500.00	545,230.81	3,269.19	3,269.19	
Other Expenses	472,000.00	657,000.00	563,204.89	82,948.94	10,846.17	
Public Buildings and Grounds:						
Salaries and Wages	140,500.00	100,500.00	99,175.88	3,400.40	1,324.12	
Other Expenses	81,000.00	81,000.00	72,542.31		5,057.29	
Snow Removal:						
Salaries and Wages	90,000.00	110,000.00	96,407.11		13,592.89	
Other Expenses	135,000.00	150,000.00	144,309.67		5,690.33	
Maintenance of Vehicles:						
Salaries and Wages	100,000.00	96,250.00	95,182.21		1,067.79	
Other Expenses	135,000.00	145,000.00	111,403.62	31,335.07	2,261.31	
	<u>2,654,150.00</u>	<u>2,909,400.00</u>	<u>2,676,764.01</u>	<u>147,030.53</u>	<u>85,605.46</u>	
HEALTH AND WELFARE						
Public Health Services:						
Salaries and Wages	4,000.00	4,000.00	4,000.00			
Other Expenses	79,000.00	79,000.00	36,901.80	339.16	41,759.04	
Environmental Commission:						
Other Expenses	1,650.00	1,650.00	344.47	701.32	604.21	
Welfare Administration:						
Salaries and Wages	4,000.00	4,000.00	3,000.00		1,000.00	
	<u>88,650.00</u>	<u>88,650.00</u>	<u>44,246.27</u>	<u>1,040.48</u>	<u>43,363.25</u>	
RECREATION AND EDUCATION						
Board of Recreation Commissioners:						
Salaries and Wages	130,500.00	122,500.00	120,360.52		2,139.48	
Other Expenses	24,500.00	24,500.00	19,324.90	3,106.95	2,068.15	
Community on Cable	15,000.00	15,000.00	7,895.30		7,104.70	
	<u>170,000.00</u>	<u>162,000.00</u>	<u>147,580.72</u>	<u>3,106.95</u>	<u>11,312.33</u>	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #4

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>UNIFORM CONSTRUCTION CODE -</u>						
<u>APPROPRIATIONS OFFSET BY</u>						
<u>DEDICATED REVENUES</u>						
Construction Code Officials:						
Salaries and Wages	\$ 312,500.00	\$ 297,500.00	\$ 291,157.36	\$ 9,997.79	\$ 6,342.64	\$
Other Expenses	51,500.00	51,500.00	23,764.40	9,997.79	17,737.81	
	364,000.00	349,000.00	314,921.76	9,997.79	24,080.45	
<u>UNCLASSIFIED</u>						
Utilities:						
Telephone	112,000.00	112,000.00	90,630.23	8,944.77	12,425.00	
Street Lighting	128,000.00	128,000.00	106,962.04	8,798.23	12,239.73	
Salary Adjustment	15,000.00					
Postage	14,000.00	14,000.00	14,000.00			
Accumulated Absence	10,000.00	10,000.00	10,000.00			
Electricity	330,000.00	353,000.00	280,410.64	27,532.51	45,056.85	
Water	31,000.00	31,000.00	22,872.93	812.99	7,314.08	
Gasoline	165,000.00	165,000.00	139,176.20	15,744.20	10,079.60	
Gas (Natural or Propane)	93,000.00	93,000.00	87,910.60	1,145.42	3,943.98	
Condominium Service Law	30,000.00	30,000.00	9,000.00	62,978.12	21,000.00	
	928,000.00	936,000.00	760,962.64	62,978.12	112,059.24	
Total Operations	13,468,930.00	13,468,930.00	12,341,774.57	403,039.13	724,116.30	
<u>DEFERRED CHARGES AND STATUTORY</u>						
<u>EXPENDITURES</u>						
Contributions to:						
Public Employees' Retirement System	376,460.00	376,460.00	376,459.59		0.41	
Social Security	575,000.00	575,000.00	540,519.80		34,480.20	
Police and Firemen's Retirement System	758,620.00	758,620.00	758,620.00			
Unemployment Compensation Insurance	15,000.00	15,000.00	15,000.00			
Defined Contribution Pension Plan	19,000.00	19,000.00	12,088.33		6,911.67	
Deferred Charges:						
Overexpenditure of Improvement Authorization	13,540.12	13,540.12	13,540.12			
	1,757,620.12	1,757,620.12	1,716,227.84		41,392.28	
Total Appropriations Within "CAPS"	15,226,550.12	15,226,550.12	14,058,002.41	403,039.13	765,508.58	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #5

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>OTHER OPERATIONS</u>						
Maintenance of Free Public Library	\$ 1,107,747.00	\$ 1,107,747.00	\$ 948,469.00	\$ 159,278.00		\$
Other Sewer	160,000.00	160,000.00	146,277.82	13,722.18		
Tax Appeals	110,000.00	110,000.00	88,312.52	4,894.26		
	1,377,747.00	1,377,747.00	1,183,059.34	4,894.26	189,793.40	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
CDBG Senior Citizen Center Programming	9,211.50	9,211.50	9,211.50			
Municipal Alliance	14,123.00	14,123.00	14,123.00			
Municipal Alliance - Local Match	3,531.00	3,531.00	3,531.00			
Body Armor Replacement Fund	2,589.00	2,589.00	2,589.00			
Greening Union County	2,500.00	2,500.00	2,500.00			
Clean Communities Program	26,291.52	26,291.52	26,291.52			
Union County Kids Recreation	53,058.87	53,058.87	53,058.87			
Union County Infrastructure Grant	50,000.00	50,000.00	50,000.00			
Recycling Tonnage Program	17,452.05	17,452.05	17,452.05			
	178,756.94	178,756.94	178,756.94			
Total Operations	1,556,503.94	1,556,503.94	1,361,816.28	4,894.26	189,793.40	
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	150,000.00	150,000.00	150,000.00			
Public and Private Programs Offset by Revenues:						
New Jersey Department of Transportation Trust Funds:						
Park Avenue	130,436.06	130,436.06	130,436.06			
	280,436.06	280,436.06	280,436.06			
<u>DEBT SERVICE</u>						
Payment of Bond Principal	740,000.00	740,000.00	740,000.00			
Interest on Bonds	172,950.00	172,950.00	172,950.00			

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-3
Sheet #6

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
APPROPRIATIONS EXCLUDED FROM "CAPS"						
DEBT SERVICE						
Payment of Bond Anticipation Notes and Capital Notes Interest on Notes	\$ 333,416.00	\$ 333,416.00	\$ 333,416.00	\$	\$	\$ 3,644.96
N.J. Environmental Infrastructure Trust: Principal and Interest	587,125.00	587,125.00	557,804.90			29,320.10
	<u>2,140,691.00</u>	<u>2,140,691.00</u>	<u>2,107,725.94</u>			<u>32,965.06</u>
Total Appropriations Excluded from "CAPS"	3,977,631.00	3,977,631.00	3,749,978.28	4,894.26	189,793.40	32,965.06
Sub-Total	19,204,181.12	19,204,181.12	17,807,980.69	407,933.39	955,301.98	32,965.06
Reserve for Uncollected Taxes	553,000.00	553,000.00	553,000.00			
Total Appropriations	<u>\$19,757,181.12</u>	<u>\$19,757,181.12</u>	<u>\$18,360,980.69</u>	<u>\$407,933.39</u>	<u>\$ 955,301.98</u>	<u>\$32,965.06</u>
			Below	A	A	Below
Adopted Budget			\$			
Reserve for Uncollected Taxes		\$19,757,181.12	553,000.00			
Cancelled		(553,000.00)				
Cash Expenditures			17,485,247.57			
Reserve for Federal and State Grants Interfunds			305,662.00			
			<u>17,071.12</u>			
A-1		\$19,171,216.06	\$18,360,980.69			
Reference			Above			

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

B

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<u>Animal Control Fund</u>			
Cash	B-1	\$ 68,721.25	\$ 64,514.48
<u>Other Funds</u>			
Cash	B-1	7,344,460.87	7,529,834.30
Interfunds	B-3	17,641.12	
		<u>7,362,101.99</u>	<u>7,529,834.30</u>
		<u>\$7,430,823.24</u>	<u>\$7,594,348.78</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-2	\$ 68,325.85	\$ 63,864.48
Due to State of New Jersey	B-5	40.40	
Prepaid Revenue	B-12	355.00	650.00
		<u>68,721.25</u>	<u>64,514.48</u>
<u>Other Funds</u>			
Interfunds	B-3	12,907.23	40,611.01
Reserve for Payroll Deductions	B-4	27,674.79	6,741.18
Net Payroll	B-6	24,718.40	9,043.94
Various Reserves and Deposits	B-7	5,403,836.46	5,666,278.09
Reserve for Affordable Housing Deposit	B-8	1,570,552.20	1,557,620.11
Reserve for Unemployment Compensation Insurance	B-9	119,055.91	113,539.97
Reserve for Recreation Expenditures	B-10	175,183.54	99,199.60
Reserve for Equitable Sharing	B-11	23,526.03	32,152.97
Due to State of New Jersey	B-13	4,647.43	4,647.43
		<u>7,362,101.99</u>	<u>7,529,834.30</u>
		<u>\$7,430,823.24</u>	<u>\$7,594,348.78</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

C

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2018</u>	<u>Balance Dec. 31, 2017</u>
Cash	C-2	\$ 15,818,576.82	\$ 3,146,616.60
Interfunds Receivable	C-4	464,942.44	137,751.25
Deferred Charges to Future Taxation:			
Funded	C-5	7,422,299.00	9,165,483.54
Unfunded	C-6	47,279,029.14	42,729,832.27
State Aid Receivable	C-9		250,000.00
New Jersey Environmental Infrastructure Loan Receivable	C-14	563,402.52	563,402.52
Deferred Charge: Overexpenditure of Improvement Authorization	C-15		13,540.12
		<u>\$ 71,548,249.92</u>	<u>\$ 56,006,626.30</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-10	\$ 3,905,000.00	\$ 4,645,000.00
New Jersey Environmental Infrastructure Loan Payable	C-11	3,517,299.00	4,520,483.54
Bond Anticipation Notes	C-12	32,270,118.00	15,703,534.00
Interfunds Payable	C-4	8,350.00	138,786.06
Capital Improvement Fund	C-7	197,979.80	142,004.80
Improvement Authorizations:			
Funded	C-8	310,940.77	306,619.30
Unfunded	C-8	30,857,237.14	30,426,749.00
Reserve for Senior Citizens' Bus	C-13	8,500.00	8,500.00
Reserve to Pay Debt	C-16	357,875.61	
Fund Balance	C-1	114,949.60	114,949.60
		<u>\$ 71,548,249.92</u>	<u>\$ 56,006,626.30</u>
 Bonds and Notes Authorized but Not Issued	 C-17	 <u>\$ 15,008,911.14</u>	 <u>\$ 27,026,298.27</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

C-1

	<u>Ref.</u>	
Balance December 31, 2017	C	<u>\$114,949.60</u>
Balance December 31, 2018	C	<u>\$114,949.60</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CAPITAL FIXED ASSETS

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

G

<u>ASSETS</u>	Balance <u>Dec. 31, 2018</u>	Balance <u>Dec. 31, 2017</u>
Land and Buildings	\$ 39,658,500.00	\$ 39,658,500.00
Vehicles, Machinery and Equipment	<u>9,589,826.00</u>	<u>9,814,146.00</u>
	<u>\$ 49,248,326.00</u>	<u>\$ 49,472,646.00</u>
 <u>RESERVE</u>		
Investment in Capital Assets	<u>\$ 49,248,326.00</u>	<u>\$ 49,472,646.00</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF BERKELEY HEIGHTS

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Berkeley Heights is an instrumentality of the State of New Jersey established to function as a municipality. The Township Council consists of elected officials and is responsible for the fiscal control of the Township.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes certain standards for defining and reporting on the financial entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government.

The financial statements of the Township of Berkeley Heights include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Berkeley Heights, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of Berkeley Heights do not include the operations of the municipal library or the local school district, inasmuch as their activities are administered by separate boards.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, propriety and fiduciary as well as government-wide financial reporting funds that must be used by governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Township of Berkeley Heights conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 financial transactions and accounts of the Township of Berkeley Heights are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity. As required by the Division of Local Government Services, the Township accounts for its financial transactions through the following individual funds and account group:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - Receipts, custodianship and disbursements of funds in accordance with the purpose of which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Description of Funds (Continued)

Capital Fixed Assets Account - These accounts reflect estimated valuations of land, buildings and certain movable fixed assets of the Township as discussed under the caption of "Basis of Accounting".

Basis of Accounting

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

Property Taxes and Other Revenue

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

Grant Revenue

Federal and State grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the Township of Berkeley Heights budget. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

Expenditures

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Basis of Accounting (Continued)

Encumbrances

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

Appropriation Reserves

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

Compensated Absences

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

Property Acquired for Taxes

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

Self-Insurance Contributions

Contributions to self-insurance funds are charged to budget appropriations. GAAP requires that payments be accounted for as an operating transfer and not as an expenditure.

Interfunds Receivable

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

Capital Fixed Assets

N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. Capital fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$1,000.00 or more per unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Basis of Accounting (Continued)

Capital Fixed Assets (Continued)

Public domain ("infrastructure") capital fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Township has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Township's most recent property revaluation. Buildings are stated at the most recent insurance replacement value. Capital Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the Capital Fixed Assets Account Group rather than in a governmental fund.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants-in-aid or contributed capital have not been accounted for separately.

Inventories of Supplies

The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

C. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements by GAAP. The differences, although not reasonably determinable, are presumed to be material.

D. Recent Accounting Pronouncements Not Yet Effective

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, "Certain Asset Retirement Obligations". This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement and is effective for reporting periods beginning after June 15, 2018. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, "Fiduciary Activities". The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and is effective for reporting periods beginning after December 15, 2018. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Recent Accounting Pronouncements Not Yet Effective (Continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, "Leases". The object of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract and is effective for reporting periods beginning after December 15, 2019. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In March 2018, the Governmental Accounting Standards Board issued GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2018, the Governmental Accounting Standards Board issued GASB Statement No. 90, "Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61". The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information to certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Township does not expect this Statement to impact its financial Statements. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

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

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Cash and Cash Equivalents (Continued)

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

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

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

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Township considers petty cash, change funds and cash in banks as cash and cash equivalents.

The Township of Berkeley Heights has the following cash and cash equivalents at December 31, 2018:

	<u>2018</u>
TD Bank - Checking Accounts	<u>\$ 27,945,591.95</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Township does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute, which requires cash be deposited only in New Jersey based bank institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Township in excess of FDIC insured amounts are protected by GUDPA. As of December 31, 2018, of the cash balance in the bank, \$2,077,757.07 was covered by Federal Depository Insurance and \$26,047,372.67 was covered under the provisions of NJGUDPA.

Interest Rate Risk - This is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The Township's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2018, the Township had funds on deposit in checking accounts. The amount on deposit of the Township's Cash and Cash Equivalents as of December 31, 2018 was \$28,125,129.74. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40. There were no securities categorized as investments as defined by GASB Statement No. 40.

B. Investments

New Jersey P.L. 2017, c. 310 permits the Township to purchase various investments in accordance with the Township's Cash Management Plan.

3. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments 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. Pursuant to N.J.S.A. 40A:2-8, bond anticipation notes, which are issued to temporarily finance capital projects, cannot be renewed past the third anniversary unless an amount equal to at least the first legally required installment is paid prior to each anniversary and must be paid off within ten years and five months or retired by the issuance of bonds.

Summary of Municipal Debt

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	<u>\$39,692,417.00</u>	<u>\$24,869,017.54</u>	<u>\$17,824,062.34</u>
Total Issued	<u>39,692,417.00</u>	<u>24,869,017.54</u>	<u>17,824,062.34</u>
<u>Authorized but Not Issued</u>			
General:			
Bonds and Notes	<u>15,008,911.14</u>	<u>27,026,298.27</u>	<u>2,871,298.27</u>
Total Authorized but Not Issued	<u>15,008,911.14</u>	<u>27,026,298.27</u>	<u>2,871,298.27</u>
Total Debt	54,701,328.14	51,895,315.81	20,695,360.61
<u>Deductions</u>			
Reserve to Pay Debt:			
General Capital	<u>357,875.61</u>	_____	_____
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$54,343,452.53</u>	<u>\$51,895,315.81</u>	<u>\$20,695,360.61</u>

Summary of Statutory Debt Condition Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.613%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$12,525,000.00	\$12,525,000.00	\$
General Debt	<u>54,701,328.14</u>	<u>357,875.61</u>	<u>54,343,452.53</u>
	<u>\$67,226,328.14</u>	<u>\$12,882,875.61</u>	<u>\$54,343,452.53</u>

Net Debt \$54,343,452.53 divided by equalized valuation basis per N.J.S.A. 40A:2-2, as amended, \$3,368,688,441.33 equals 1.613%.

3. MUNICIPAL DEBT (Continued)

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

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Township of Berkeley Heights for the last three (3) preceding years.

Equalized Valuation Basis* - December 31, 2018	<u>\$ 3,368,688,441.33</u>
3 1/2% of Equalized Valuation Basis	\$ 117,904,095.45
Net Debt	<u>54,343,452.53</u>
Remaining Borrowing Power	<u>\$ 63,560,642.92</u>

Long-Term Debt

As of December 31, 2018, the Township's long-term debt is as follows:

General Serial Bonds

\$4,775,000.00, 2016 Refunding Bond due in annual installments of \$430,000.00 to \$440,000.00 through December 2027 at interest rates between 3.000% and 4.000%.	<u>\$ 3,905,000.00</u>
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Environmental Infrastructure Loans

\$980,000.00, 2001 Loan due in annual remaining installments of \$66,598.19 to \$76,209.40 through August 2021 at interest rates between 4.75% and 5.00%.	\$ 214,194.66
\$1,000,000.00, 2001 Interest Free Loan due in annual remaining installments of \$52,284.03 to \$54,183.53 through August 2021.	159,721.47
\$290,000.00, 2004 Loan due in annual remaining installments of \$18,236.16 to \$22,720.64 through August 2024 at interest rates between 4.25% and 5.00%.	117,840.52
\$294,120.00, 2004 Interest Free Loan due in annual remaining installments of \$14,114.32 to \$16,783.69 through August 2024.	93,787.50
\$2,190,000.00, 2007 Loan due in annual remaining installments of \$103,000.00 to \$156,000.00 through August 2027 at interest rates between 4.00% and 5.00%.	1,149,000.00
\$2,030,000.00, 2007 Interest Free Loan due in annual remaining installments of \$111,708.87 to \$114,317.33 through August 2027.	1,015,327.49

3. MUNICIPAL DEBT (Continued)

Long-Term Debt

Environmental Infrastructure Loans (Continued)

\$905,000.00, 2009 Loan due in annual remaining installments of \$33,000.00 to \$49,000.00 through August 2029 at interest rates between 3.50% and 4.00%. \$ 452,000.00

\$901,490.00, 2009 Interest Free Loan due in annual remaining installments of \$32,516.06 to \$47,446.83 through August 2025. 315,427.36

\$3,517,299.00

Bonds and Notes Authorized but Not Issued

At December 31, 2018, the Township has authorized but not issued bonds and notes as follows:

General Capital Fund \$15,008,911.14

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding December 31, 2018

<u>Year</u>	<u>General Capital</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 430,000.00	\$104,250.00	\$ 534,250.00
2020	430,000.00	95,650.00	525,650.00
2021	430,000.00	87,050.00	517,050.00
2022	435,000.00	78,450.00	513,450.00
2023	435,000.00	65,400.00	500,400.00
2024	435,000.00	52,350.00	487,350.00
2025	440,000.00	39,300.00	479,300.00
2026	440,000.00	26,100.00	466,100.00
2027	430,000.00	12,900.00	442,900.00
	<u>\$3,905,000.00</u>	<u>\$561,450.00</u>	<u>\$4,466,450.00</u>

Schedule of Annual Debt for Infrastructure Loan Payable

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 450,953.88	\$ 91,609.74	\$ 542,563.62
2020	460,192.72	80,762.68	540,955.40
2021	475,294.11	69,588.71	544,882.82
2022	354,440.54	57,781.25	412,221.79
2023	360,571.43	49,115.80	409,687.23
2024	371,996.83	40,502.59	412,499.42
2025	326,828.54	31,385.00	358,213.54
2026	303,703.62	22,682.50	326,386.12
2027	315,317.33	13,338.75	328,656.08
2028	49,000.00	3,920.00	52,920.00
2029	49,000.00	1,960.00	50,960.00
	<u>\$3,517,299.00</u>	<u>\$462,647.02</u>	<u>\$3,979,946.02</u>

3. MUNICIPAL DEBT (Continued)

Bond Anticipation Notes

Outstanding Bond Anticipation Notes are summarized as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General Capital Fund	10/04/19	1.57% - 2.25%	<u>\$ 32,270,118.00</u>

Bond Anticipation Notes (Continued)

Statutory requirements for providing sums equivalent to legally payable installments for the redemption of notes (budget appropriations) and permanent funding (bond issues) are summarized as follows:

<u>Notes Issued</u>	<u>Installments Due</u>	<u>Required as of October 1,</u>
2012	2015 - 2022	2023
2013	2016 - 2023	2024
2014	2017 - 2024	2025
2015	2018 - 2025	2026
2016	2019 - 2026	2027
2017	2020 - 2027	2028
2018	2021 - 2028	2029

4. FUND BALANCES APPROPRIATED

Fund balance at December 31, 2018, which was appropriated and included as anticipated revenue in the annual budget for the succeeding year is as follows:

	<u>Year</u>	<u>Balance December 31,</u>	<u>Succeeding Year</u>
Current Fund:	2018	\$1,823,083.89	\$1,140,325.00
	2017	2,010,818.26	815,000.00
	2016	1,554,403.68	750,000.00

5. PROPERTY TAXES

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

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

5. PROPERTY TAXES (Continued)

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The resolution also sets a grace period of ten days before interest is calculated.

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

The following is a three year comparison of certain statistical information relative to property taxes and property tax collections for the current year and previous two years:

Schedule of Tax Rates

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Rate	<u>\$4.090</u>	<u>\$4.040</u>	<u>\$3.969</u>
Apportionment of Tax Rate:			
Municipal	\$0.727	\$0.702	\$0.699
Municipal Library	0.061	0.062	0.060
County*	0.977	1.002	0.976
School	2.325	2.274	2.234

*Including County Vocational School

Assessed Valuations

<u>Year</u>	<u>Amount</u>
2018	\$ 1,827,874,269.00
2017	1,819,904,849.00
2016	1,812,644,964.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$74,984,123.72	\$74,424,484.62	99.25%
2017	73,761,709.70	73,212,837.98	99.25
2016	72,168,809.32	71,549,686.31	99.14

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 342,692.61	\$ 99,220.73	\$ 441,913.34	0.59%
2017	311,154.51	91,632.73	402,787.24	0.55
2016	421,307.24	84,340.53	505,647.77	0.70

6. SEWER BILLINGS AND COLLECTION

<u>Year</u>	<u>Billing</u>	<u>Sewer Collections</u>
2018	\$387,820.18	\$386,272.32
2017	355,038.23	362,428.74
2016	282,159.34	266,333.34

Collections include realization of prior year uncollected balances and sewer liens.

7. PENSION PLANS

Description of Systems

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

The amount of the Township's contribution is certified each year by PERS and PFRS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Specific information on actuarial assumptions and rates of return can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS the employer contribution includes funding for post-retirement medical premiums.

	<u>PERS</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Covered Employee Payroll	\$ 2,665,115	\$ 2,797,204	\$ 2,793,203
Total Payroll	7,684,188	8,216,904	8,072,350
Actuarial Contribution Requirements	411,639	371,565	359,573
Total Contributions	609,445	565,321	543,435
Employer Share	411,639	371,565	359,573
% of Covered Payroll	15.45%	13.28%	12.87%
Employee's Share	197,806	193,756	183,862
% of Covered Payroll	7.42%	6.93%	6.58%

7. PENSION PLANS (Continued)

Description of Systems

	PFRS		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Covered Employee Payroll	\$ 2,901,180	\$ 2,774,727	\$ 2,657,618
Total Payroll	7,684,188	8,216,904	8,072,350
Actuarial Contribution Requirements	816,603	718,837	711,549
Total Contributions	1,106,663	996,216	977,343
Employer Share	816,603	718,837	711,549
% of Covered Payroll	28.15%	25.91%	26.77%
Employee's Share	290,060	2,777,379	265,794
% of Covered Payroll	10.00%	10.00%	10.00%

Assumptions

The total PERS and PFRS pension liability for June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 using an actuarial experience study for the period July 1, 2011 to June 30, 2014. The pension liability was rolled forward to June 30, 2018. The actuarial valuation used an inflation rate of 2.25%, projected salary increases through 2026 of 1.65% to 4.15% for PERS and 2.10% to 8.98% for PFRS based on age and thereafter 2.65% to 5.15% for PERS and 3.10% to 9.98% for PFRS based on age and an investment rate of return of 7.00%.

For PERS, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For PFRS, preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

7. PENSION PLANS (Continued)

Description of Systems (Continued)

Assumptions (Continued)

The discount rate used to measure the total pension liability was 5.66% for PERS and 6.51% for PFRS as of June 30, 2018. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046 for PERS and June 30, 2062 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 for PERS and June 30, 2062 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability. More information on mortality rates and other assumptions and investment policies can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state of local jurisdiction.

Significant Legislation

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of that system. Provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2013, the member contribution rates increased in July 2013. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, the method for amortizing the pension systems' unfunded accrued liability changed (from a level percent of pay method to a level dollar of pay).

7. PENSION PLANS (Continued)

Public Employees' Retirement System: (Continued)

Significant Legislation (Continued)

The following presents the Township's proportionate share of the Collective PERS net pension liability calculated using the discount rate of 5.66% and 5.00% as of June 30, 2018 and 2017, respectively, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

**Sensitivity of the Township's Proportionate Share of the Collective PERS
Net Pension Liability to Changes in the Discount Rate**

	At 1% Decrease <u>(4.66%)</u>	At Current Discount Rate <u>(5.66%)</u>	At 1% Increase <u>(6.66%)</u>
2018	<u>\$ 10,245,600</u>	<u>\$ 8,148,341</u>	<u>\$ 6,388,875</u>
	At 1% Decrease <u>(4.00%)</u>	At Current Discount Rate <u>(5.00%)</u>	At 1% Increase <u>(6.00%)</u>
2017	<u>\$ 11,582,789</u>	<u>\$ 9,336,683</u>	<u>\$ 7,465,398</u>

Police and Firemen's Retirement System:

The Police and Firemen's Retirement System (PFRS) was 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 and firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service.

Chapter 428, Public Law of 1999, effective January 18, 2000, allows a member, age 55 and older with 20 or more years of service, to retire with a benefit equaling 50% of final compensation, in lieu of the regular retirement allowance available to the member. Final compensation means the compensation received by the member in the last twelve months of creditable service preceding retirement.

In addition, a member of the system as of the effective date of this law may retire with 20 or more years of service with a retirement allowance of 50% of final compensation, regardless of age, and, if required to retire because of attaining the mandatory retirement age of 65, an additional 3% of final compensation for every additional year of creditable service up to 25 years.

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which PFRS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.

7. **PENSION PLANS (Continued)**

Police and Firemen's Retirement System: (Continued)

The following presents the Township's proportionate share of the Collective PFRS net pension liability calculated using the discount rate of 6.51% and 6.14% as of June 30, 2018 and 2017, respectively, as well as what the PFRS net pension liability would be if it were calculated using a discount rate of one percentage point lower or one percentage point higher than the assumed rate.

**Sensitivity of the Township's Proportionate Share of the Collective PFRS
Net Pension Liability to Changes in the Discount Rate**

	At 1% Decrease <u>(5.51%)</u>	At Current Discount Rate <u>(6.51%)</u>	At 1% Increase <u>(7.51%)</u>
2018	<u>\$ 16,707,889</u>	<u>\$ 12,837,904</u>	<u>\$ 8,999,521</u>
	At 1% Decrease <u>(5.14%)</u>	At Current Discount Rate <u>(6.14%)</u>	At 1% Increase <u>(7.14%)</u>
2017	<u>\$ 19,739,880</u>	<u>\$ 13,943,734</u>	<u>\$ 11,072,669</u>

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. Below is the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

	<u>2018</u>	<u>2017</u>
Employer Net Pension Liability	\$ 11,302,659.00	\$ 12,539,234.00
Nonemployer Proportional Share of the Net Pension Liability	<u>1,535,275.00</u>	<u>1,404,500.00</u>
	<u>\$ 12,837,934.00</u>	<u>\$ 13,943,734.00</u>

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

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

7. PENSION PLANS (Continued)

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2018 and 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2018 and 2017, respectively.

Following is the total of the Township's portion of the PERS and PFRS net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and the pension expense and expenditures for the fiscal year ended June 30, 2018:

	<u>PERS</u>	<u>PFRS</u>
Net Pension Liabilities	\$ 8,148,341	\$ 11,302,659
Deferred Outflow of Resources	1,863,779	1,508,326
Deferred Inflow of Resources	2,926,493	3,600,382
Pension Expense	45,717	53,240
Contributions Made After Measurement Date	411,639	816,603

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collected 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 in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the years ended June 30, 2018 and 2017. The Township's proportionate share of the collective net pension liability as of June 30, 2018 and 2017 was 0.041384191% and 0.0401087793% for PERS and 0.083527359% and 0.0812228258% for PFRS, respectively.

It is important to note that New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements.

7. PENSION PLANS (Continued)

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

At June 30, 2018, the amount determined as the Township's proportionate share of the PERS net pension liability was \$8,148,341. For the year ended June 30, 2018, the Township would have recognized PERS pension expense of \$45,717. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 155,390	\$ 42,015
Change of Assumptions	1,342,712	2,605,406
Net Difference Between Projected and Actual Investment Earnings		76,432
Net Change in Proportions	365,677	202,640
Total Contributions and Proportionate Share of Contributions After the Measurement Date	<u>411,639</u>	<u> </u>
	<u>\$ 2,275,418</u>	<u>\$ 2,926,493</u>

At June 30, 2018, the amount determined as the Township's proportionate share of the PFRS net pension liability was \$11,302,659. For the year ended June 30, 2018, the Township would have recognized PFRS pension expense of \$53,240. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to the PFRS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 114,990	\$ 46,773
Change of Assumptions	970,179	2,896,669
Net Difference Between Projected and Actual Investment Earnings		61,836
Net Change in Proportions	423,157	595,104
Total Contributions and Proportionate Share of Contributions After the Measurement Date	<u>816,603</u>	<u> </u>
	<u>\$ 2,324,929</u>	<u>\$ 3,600,382</u>

7. PENSION PLANS (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

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

Contributions Required and Made

Contributions made by employees for PERS and PFRS are currently 7.50% as of July 1, 2018 and 10.0% of their base wages, respectively. Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Contributions to the plan for the past three years is as follows:

<u>Year</u>	<u>PERS</u>		<u>PFRS</u>	
	<u>Township</u>	<u>Employees</u>	<u>Township</u>	<u>Employees</u>
2018	\$ 411,639.00	\$ 197,806.00	\$ 816,603.00	\$ 290,060.00
2017	371,565.00	193,756.00	718,837.00	277,379.00
2016	359,573.00	183,862.00	711,549.00	265,794.00

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Description of System (Continued)

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the municipal base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 or employees enrolled in the PERS after May 21, 2010 who earn salary in excess of established "maximum compensation" limits.
- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to join or remain in PERS.

Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. Contributions to the plan for the past two years is as follows, which includes back deductions:

<u>Year</u>	<u>Employee</u>	<u>Employer</u>
2018	\$ 11,126.26	\$ 12,088.33
2017	7,101.40	4,380.69

9. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

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. Below is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$15,000.00	\$9,484.06	\$119,055.91
2017	15,000.00	4,144.81	113,539.97
2016	15,000.00	9,401.01	102,684.78

The Township has changed to a Direct Reimbursement Method whereby all employee contributions are remitted directly to the State of New Jersey.

10. INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 12,907.23	\$937,677.89
Grant Fund	481,085.45	17,641.12
Trust Other Fund	17,641.12	12,907.23
General Capital Fund	<u>464,942.44</u>	<u>8,350.00</u>
	<u>\$976,576.24</u>	<u>\$976,576.24</u>

Interfunds

The balance sheets of the various funds as of December 31, 2018 reflect Interfunds Receivable and Payable. Subsequent to year-end, efforts should be undertaken to review and liquidate the interfunds that have occurred.

The cause of these interfunds relate to interest earned but not remitted to the corresponding fund, disbursements made by one fund on behalf of another fund, and lack of transferring budget revenue and/or appropriations from one fund to another.

In the case of the Current Fund, the effect of the Interfunds not being liquidated is a charge to operations (Fund Balance) and a decrease in surplus available. In other funds, the Interfunds do not represent charges to operations but should be liquidated regardless since each fund's cash requirements should stand on their own.

All Interfunds should be liquidated on a current basis.

11. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. The deferred charges as of December 31, 2018 are as follows:

	<u>Balance Dec. 31, 2018</u>	<u>Required for 2019 Budget</u>
Current Fund:		
Overexpenditure of Appropriation		
Reserves	<u>\$ 23,292.47</u>	<u>\$ 23,292.47</u>

12. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salaries until future years. The Township does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Projection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Township's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Metlife.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities. The Township's Deferred Compensation Plan financial statements are contained in a separate review report.

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS

Results of Valuation

▪ *Total OPEB Liability*

The Total OPEB Liability ("TOL") is the actuarial accrued liability. As of December 31, 2018, it is \$34,620,832 based upon a discount rate of 4.10% per annum and the plan provisions in effect on December 31, 2018. This liability is broken out as follows:

(1) Actives	\$ 4,020,249
(2) Retirees	\$ 30,600,583
(3) Total	\$ 34,620,832

▪ *Net OPEB Liability*

The Net OPEB Liability ("NOL") as of December 31, 2018 is \$34,620,832 based upon a discount rate of 4.10% per annum and the plan provisions in effect on December 31, 2018. There are no plan assets to offset the liability. This liability is broken out as follows:

(1) TOL	\$ 34,620,832
(2) Fiduciary Net Position (Assets)	\$ -
(3) NOL	\$ 34,620,832

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Results of Valuation (Continued)

▪Total OPEB Expense

The Total OPEB Expense ("TOE") is the measure of annual cost based on the actuarial funding method utilized. It is comprised of the "Service Cost" (aka "normal cost") which is the portion of future liabilities attributable to the measurement year, plus interest on the NOL during the year. As of the measurement date, the plan had no assets to offset any portion of the NOL.

The TOE as of December 31, 2018 is \$1,906,714 based upon a discount rate of 4.10% per annum and the plan provisions in effect on December 31, 2018.

▪Impact of 1% Change in Discount Rate

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If the discount rate were to increase by 1% per annum, the TOL as of December 31, 2018 would decrease to \$31,676,150 and if it were to decrease by 1% the TOL would increase to \$38,244,661.

▪Impact of 1% Change in Trend Rate

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If medical trend were to increase by 1% per annum, the TOL as of December 31, 2018 would increase to \$37,889,778 and if it were to decrease by 1% the TOL would decrease to \$31,992,361.

Basis of Valuation

This valuation has been conducted as of December 31, 2018 based upon census, plan design and cost information provided by The Fund. Census includes 109 retirees currently receiving retiree benefits, and 61 active participants of whom 2 are eligible to retire as of the valuation date. The average age of the active population is 46 and the average age of the retiree population is 74.

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 75.

Demographic assumptions were selected based on those used in by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2017 report from Conduent. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Basis of Valuation (Continued)

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2017 GASB 75 report from Aon Consultants.

Key Actuarial Assumptions

<i>Mortality</i>	<i>RP 2000 Combined Healthy Male Mortality Rates Set Forward Three Years</i>
<i>Turnover</i>	<i>N.J. State Pensions Ultimate Withdrawal Rates - prior to benefits eligibility</i>
<i>Assumed Retirement Age</i>	<i>At first eligibility after completing 25 years of service PBA and SOA: after attaining age 62 and completing 15 years of service all others</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>4.10% Based on the Bond Buyer 20 Index December 31, 2018</i>
<i>CPI Increase</i>	<i>2.5%</i>
<i>Rate of Salary Increase</i>	<i>2.5%</i>
<i>Medical Trend</i>	<i>Medical: 5.8% in 2018, reducing by 0.1% per annum, leveling at 5% per annum in 2026 Drug: 10.0% in 2018, reducing by 0.5% per annum to 2022 and 1.0% per annum thereafter, leveling at 5% per annum in 2026 Dental: 3.5% per annum</i>
<i>Medical Cost Aging Factor</i>	<i>N.J. SHBP Medical Morbidity Rates</i>

- Attribution Period - The attribution period begins with the date of hire and end with full benefits eligibility date.
- Per Capita Cost Methods - The valuation reflects per capita net premium costs based on actual 2018 medical, prescription drug and dental premiums and the plan option selected. Plan selections are assumed to remain unchanged in retirement. The age specific cost was derived based on per person costs at the average age of the active population (46) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequently, per capita plan costs are offset by Medicare payments. Thus, post 65 costs were decreased using the assumption that Medicare picks up 66.7% of medical costs.
- Retiree Contributions - N.J. Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees' Retirement System. For purposes of this valuation and for conservatism, we have assumed that future retiree contributions percentage rates will not increase. Thus, we assumed that a future retiree will contribute his/her current employee contribution as reported by the Township increased annually by the rate of medical trend. 2018 employer contributions to retiree benefits as reported by the Township are \$1.065 million.
- Actuarial Valuation Method - Entry Age Normal Funding Method based on a level percentage of salary. 2018 salaries were reported as \$4,588 million.

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Net OPEB Liability as of December 31, 2018

Net OPEB Liability as of January 1, 2018	\$ 33,779,046
Service Cost	522,194
Interest on Total OPEB Liability - Over Measurement Period	1,384,520
Benefit Payments	(1,064,928)
Benefit Changes (if any)	0
Experience Changes	0
Assumption Changes	0
Investment Gain or Loss	0
Projected Investment Income	0
Employee Contributions	0
Administrative Expense	0
Other Changes	
Net OPEB Liability December 31, 2018	<u>\$ 34,620,832</u>

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Total OPEB Expense Calculation as of December 31, 2018

Service Cost	\$ 522,194
Interest on Total OPEB Liability - Over Measurement Period	1,384,520
Benefit Changes (if any)	0
Recognition of Experience Changes Over Future Service	0
Recognition of Assumption Changes	0
Recognition of Investment Gain or Loss	0
Projected Investment Income	0
Employee Contributions	0
Administrative Expense	0
Other Changes	0
Net OPEB Expense Recognized	<u>\$ 1,906,714</u>

Interest on Total OPEB Liability

	Amount <u>(a)</u>	Time Period* <u>(b)</u>	Interest* <u>(c)</u>	Calculation <u>(a) x (b) x (c)</u>
Beginning of Year Total OPEB Liability	\$ 33,779,046	1.0	0.041	\$ 1,384,941
Service Cost (Positive Number)	522,194	1.0	0.041	21,410
Benefit Payments (Negative Number)	1,064,928	0.5	0.041	21,831
Employee Refunds (if any) (Negative Number)	0	0.5	0.041	<u>0</u>
Interest on Total OPEB Liability				<u>\$ 1,384,520</u>

*A half year is used because benefits and employee refunds occur throughout the year.

14. CONTINGENT LIABILITIES

a. *Compensated Absences*

Under the terms of various contracts, employees are compensated for unused vacation time and personal days. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented but is estimated by the Township to be \$679,535.18. The Township appropriates annually the amounts required to be paid in any fiscal year in that year's budget and no liability is accrued at December 31, 2018. This amount has not been verified by audit.

Provision for the above is not reflected on the financial statements of the Township.

b. *Tax Appeals*

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for years through 2018. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51.

Judgments, adverse to the Township, would apply to the year of appeal plus at least two subsequent years. Refunds or tax credits, including statutory interest thereon, would be chargeable to operations of future budget appropriations.

County taxes paid on the reductions in assessed valuations are subject to credits against the County Tax Levy of the year subsequent to the year in which appeals were adjudicated.

c. *Federal and State Awards*

The Township participated in several federal and state grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Township has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2018 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying statutory basis financial statement for such contingencies.

d. *Arbitrage Rebate Calculation*

In 1985, under the Tax Reform Act, the Arbitrage Rebate Law went into effect requiring issuers of tax exempt debt obligations to rebate to the Federal Government all of the earnings in excess of the yield on investments of proceeds of such debt issuances (the "rebate arbitrage"). The Rebate Regulations apply to obligations issued after August 31, 1986. The arbitrage rebate liability must be calculated every installment computation date (last day of the fifth bond year) or earlier if the bonds are retired, defeased or refunded and pay at least 90% of the rebatable arbitrage (plus any earnings thereon) within 60 days after such date.

e. *Payments in Lieu of Taxes (PILOT)*

Under N.J.S.A. 40A:20-12, each municipality is required to annually remit to the County five percent (5%) of the annual service charge for each long-term PILOT financial agreement entered into by the municipality.

f. *Litigation*

The Township Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Township's insurance carriers or would have a material impact on the Township.

14. CONTINGENT LIABILITIES (Continued)

g. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

h. Secondary Market Disclosure

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

15. SUBSEQUENT EVENT

The Township of Berkeley Heights has evaluated subsequent events that occurred after the balance sheet date, but before August 19, 2019. On June 20, 2019 the Township conducted a Bond Sale. \$24,934,722 Bond Anticipate Note Series 2019 and \$15,265,000 General Obligation Bonds, Series 2019 were sold.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

A-4

	<u>Ref.</u>			<u>Regular Fund</u>
Balance December 31, 2017	A			\$10,934,563.83
Increased by Receipts:				
Miscellaneous Revenue Not Anticipated	A-2a	\$ 139,606.51		
Petty Cash	A-9	200.00		
Due from State of New Jersey per Ch. 20, P.L. 1971	A-10	75,654.80		
Taxes Receivable	A-11	67,795,749.30		
Revenue Accounts Receivable	A-12	3,498,857.15		
Prepaid Taxes	A-16	382,548.09		
Tax Overpayments	A-17	199,680.93		
Sewer User Charges Receivable	A-18	386,272.32		
Interfunds Receivable	A-22	486,463.76		
Due to State of New Jersey	A-25	<u>57,089.00</u>		
				<u>73,022,121.86</u>
				83,956,685.69
Decreased by Disbursements:				
Petty Cash Reimbursement	A-1	184.30		
2018 Budget Appropriations	A-3	17,485,247.57		
Petty Cash	A-9	200.00		
Appropriation Reserves	A-13	905,425.28		
Refund of Tax Overpayments	A-17	177,251.06		
County Taxes	A-20	17,917,060.35		
Local School District Taxes	A-21	42,490,823.00		
Interfunds Payable	A-22	216,936.65		
Due to State of New Jersey	A-25	26,432.00		
Deferred Charges	A-26	<u>23,292.47</u>		
				<u>79,242,852.68</u>
Balance December 31, 2018	A			<u>\$ 4,713,833.01</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

ACCOUNTS PAYABLE - CURRENT FUND

A-5

	<u>Ref.</u>	
Balance December 31, 2017	A	<u>\$68,136.12</u>
Balance December 31, 2018	A	<u>\$68,136.12</u>

TAX TITLE LIENS

A-6

	<u>Ref.</u>	
Balance December 31, 2017	A	\$91,632.73
Increased by:		
Transfers from Taxes Receivable	A-11	<u>7,588.00</u>
Balance December 31, 2018	A	<u>\$99,220.73</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

SEWER OVERPAYMENTS

A-7

	<u>Ref.</u>	
Balance December 31, 2017	A	<u>\$55,128.83</u>
Balance December 31, 2018	A	<u><u>\$55,128.83</u></u>

CHANGE FUND

A-8

	<u>Ref.</u>	
Balance December 31, 2017	A	<u>\$ 400.00</u>
Balance December 31, 2018	A	<u><u>\$ 400.00</u></u>

PETTY CASH FUND

A-9

	<u>Ref.</u>	
Increased by:		
Cash Receipts	A-4	\$ 200.00
Decreased by:		
Cash Disbursements	A-4	<u>200.00</u>
		<u><u>\$ -</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

DUE FROM STATE OF NEW JERSEY
PER CHAPTER 129, P.L. 1976

A-10

	<u>Ref.</u>		
Balance December 31, 2017	A		\$ 5,489.13
Decreased by:			
Veterans' Deductions per Tax Duplicate	Below	\$76,000.00	
Senior Citizens' Deductions Allowed by Tax Collector	Below	<u>2,250.00</u>	
			<u>78,250.00</u>
			<u>83,739.13</u>
Increased by:			
Received Cash from State	A-4	75,654.80	
Senior Citizens' Deductions Disallowed by Tax Collector	Below	<u>2,250.00</u>	
			<u>77,904.80</u>
Balance December 31, 2018	A		<u><u>\$ 5,834.33</u></u>
<u>Calculation of State Share of 2018 Senior Citizens'</u>			
<u>and Veterans' Deductions Allowed by Collector</u>			
Veterans' Deductions per Tax Billings	Above	\$76,000.00	
Senior Citizens' Deductions Allowed by Tax Collector	Above	<u>2,250.00</u>	
			\$78,250.00
Less: Senior Citizens' Deductions Disallowed by Tax Collector	Above		<u>2,250.00</u>
	A-11		<u><u>\$76,000.00</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

A-11

<u>Year</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>2018 Levy</u>	<u>2017</u>	<u>Collected</u> <u>2018</u>	<u>Due from</u> <u>State of</u> <u>New Jersey</u>	<u>Overpayments</u> <u>Applied</u>	<u>Transferred</u> <u>to Tax</u> <u>Title Lien</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
2017	\$ 311,154.51			\$ 286,512.35	\$	\$ 14,718.76	\$ 205.55	\$ 9,717.85	\$
2018		74,984,123.72	6,839,247.67	67,509,236.95	76,000.00		7,382.45	209,564.04	342,692.61
	<u>\$ 311,154.51</u>	<u>\$ 74,984,123.72</u>	<u>\$ 6,839,247.67</u>	<u>\$ 67,795,749.30</u>	<u>\$ 76,000.00</u>	<u>\$ 14,718.76</u>	<u>\$ 7,588.00</u>	<u>\$ 219,281.89</u>	<u>\$ 342,692.61</u>
<u>Reference</u>	A	Below	A-2a.16	A-2.2a.4	A-2a.10	A-2.2a.17	A-6	Reserve	A

ANALYSIS OF PROPERTY TAX LEVY

<u>Tax Yield</u>	<u>Ref.</u>	<u>Ref.</u>
General Property Tax		\$ 74,720,505.31
Business Personal		39,552.30
Tax - Utilities		224,066.11
Added Taxes		<u>53,552.52</u>
		\$ 17,911,705.71
	A-20	42,490,793.00
	A-21	13,291,431.12
	A-2	1,107,747.00
	A-2	182,446.89
	Reserve	<u>14,581,625.01</u>
	Above	<u>\$ 74,984,123.72</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

REVENUE ACCOUNTS RECEIVABLE

A-12

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Accrued</u>	<u>2018</u> <u>Collections</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 18,536.88	\$ 18,536.88	\$
Other Licenses	A-2		7,104.00	7,104.00	
Other Fees and Permits	A-2a		220,841.76	220,841.76	
Construction Code Official:					
Uniform Construction Code Fees	A-2		485,830.00	485,830.00	
Board of Health:					
Other Fees and Permits	A-2a		32,680.80	32,680.80	
Police Department:					
Other Fees and Permits	A-2a		2,555.87	2,555.87	
Municipal Court:					
Fines and Costs	A-2	9,873.61	134,956.15	133,451.52	11,378.24
Engineering/Planning Board:					
Fees and Permits	A-2a		59,248.00	59,248.00	
Interest and Cost on Taxes	A-2		84,144.11	84,144.11	
Interest on Investments and Deposits	A-2		81,269.70	81,269.70	
Recycling Rebate	A-2		17,607.60	17,607.60	
State of New Jersey:					
Energy Receipts Tax	A-2		1,429,296.00	1,429,296.00	
Consolidated Municipal Property					
Tax Relief Aid	A-2		111,295.00	111,295.00	
Uniform Fire Safety Act	A-2		56,576.15	56,576.15	
Cable TV Franchise Fee	A-2		203,351.06	203,351.06	
Library Reimbursement of Cost	A-2		265,000.00	265,000.00	
Board of Education - Fuel Reimbursement	A-2		35,071.72	35,071.72	
Rental of Township Property	A-2		254,996.98	254,996.98	
		<u>\$ 9,873.61</u>	<u>\$3,500,361.78</u>	<u>\$3,498,857.15</u>	<u>\$ 11,378.24</u>
<u>Reference</u>		<u>A</u>	<u>Reserve</u>	<u>A-4</u>	<u>A</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

2017 APPROPRIATION RESERVES

A-13
Sheet #1

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2017</u>		<u>Modified</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>GENERAL GOVERNMENT</u>					
Mayor:					
Other Expenses	\$	\$ 540.00	\$ 540.00	\$	\$ 540.00
Council:					
Other Expenses	113.28	92.72	206.00	113.28	92.72
Municipal Clerk:					
Salaries and Wages		761.53	761.53	761.00	0.53
Other Expenses	3,867.40	8,084.18	11,951.58	6,317.71	5,633.87
Financial Administration:					
Salaries and Wages	454.10	1,294.24	1,294.24	1,294.00	0.24
Other Expenses		5,230.82	6,288.92	6,162.97	125.95
Annual Audit		50,000.00	50,000.00	48,800.00	1,200.00
Insurance:					
General Liability	19,795.39	5,259.98	25,055.37	19,605.39	5,449.98
Group Insurance Plans for Employees	776.18	261,270.99	182,800.17	182,800.17	182,800.17
Administrative and Executive:					
Salaries and Wages		172.17	172.17	172.00	0.17
Other Expenses	12,530.02	1,881.25	17,343.27	13,441.22	3,902.05
Collector of Taxes:					
Salaries and Wages		824.48	824.48	824.00	0.48
Other Expenses	100.00	877.91	977.91	588.00	389.91
Assessor of Taxes:					
Salaries and Wages		2,437.88	2,437.88	2,437.00	0.88
Other Expenses	2,514.00	7,371.89	5,960.89	4,162.50	1,798.39
Legal Services and Costs:					
Other Expenses	3,129.30	26,236.52	50,912.82	50,912.37	0.45
Tax Appeals	0.01	6,674.42	14,502.43	10,576.96	3,925.47

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-13
Sheet #2

2017 APPROPRIATION RESERVES

<u>Appropriations</u>	<u>Balance</u> Dec. 31, 2017		<u>Modified</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>GENERAL GOVERNMENT</u>					
Municipal Court:					
Salaries and Wages	\$	656.16	\$		\$ 656.16
Other Expenses		6.97		1,984.07	0.90
Engineering Services and Costs:					
Salaries and Wages		2,917.49		2,166.00	1.49
Other Expenses	15.00	14,806.57		15,560.00	11.57
Public Defender:					
Salaries and Wages		212.24			212.24
Affordable Housing:					
Other Expenses	63.00	9,903.30		9,208.47	757.83
Planning Board:					
Other Expenses	300.00	1,701.36		15,869.62	3.74
Zoning Board of Adjustment:					
Other Expenses		2,786.97		486.97	486.97
<u>PUBLIC SAFETY</u>					
Uniform Fire Safety (P.L. 1983, Ch. 383):					
Fire Prevention:					
Salaries and Wages		1,999.17		1,594.00	405.17
Other Expenses	548.73	4,218.62		255.20	4,512.15
Fire:					
Salaries and Wages		874.93			874.93
Other Expenses	30,072.80	8,315.03		33,075.68	5,312.15
Fire Hydrant Services		46,582.60		30,487.60	16,095.00
Police:					
Salaries and Wages		46,013.20		46,000.00	13.20
Other Expenses	17,528.54	36,705.28		39,137.40	15,096.42

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-13
Sheet #3

2017 APPROPRIATION RESERVES

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2017</u>		<u>Modified</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>PUBLIC SAFETY</u>					
<u>Traffic Control Schools:</u>					
Salaries and Wages	\$	6,023.50	\$	5,900.00	\$ 123.50
Other Expenses		1,736.19		1,524.79	211.40
<u>Emergency Management:</u>					
Salaries and Wages		8.28			8.28
Other Expenses	100.00	1,225.00	1,325.00	1,065.00	260.00
<u>Municipal Prosecutor:</u>					
Salaries and Wages		225.12	225.12		225.12
<u>PUBLIC WORKS</u>					
<u>Road Repair and Maintenance:</u>					
Salaries and Wages		5,974.17	5,974.17	5,974.00	0.17
Other Expenses	3,395.67	3,314.69	6,710.36	6,710.36	
<u>Snow Removal:</u>					
Salaries and Wages		56,420.29	55,870.29	55,000.00	870.29
Other Expenses	40,208.69	470.41	41,229.10	41,219.05	10.05
<u>Sanitation:</u>					
<u>Garbage and Trash Removal:</u>					
Other Expenses:					
Collection			13,493.95	13,493.95	
<u>Public Buildings and Grounds:</u>					
Salaries and Wages		1,930.51	1,930.51	1,925.00	5.51
Other Expenses	5,881.15	154.72	8,539.87	7,760.11	779.76
<u>Maintenance of Vehicles:</u>					
Salaries and Wages		458.84	458.84		458.84
Other Expenses	51,569.36	370.07	51,939.43	50,637.21	1,302.22
<u>Maintenance of Sewer Plant:</u>					
Salaries and Wages		4,870.67	270.67		270.67
Other Expenses	10,225.53	88.57	44,271.10	43,602.62	668.48

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-13
Sheet #4

2017 APPROPRIATION RESERVES

	<u>Balance</u> Dec. 31, 2017					
	<u>Encumbered</u>	<u>Unencumbered</u>		<u>Modified</u>	<u>Paid and Committed</u>	<u>Balance Lapsed</u>
<u>HEALTH AND WELFARE</u> (Board of Health - Local Health Agency):						
Board of Health:						
Other Expenses		\$ 41,821.46	\$	41,821.46	\$ 36,806.38	\$ 5,015.08
Environmental Commission:						
Other Expenses	2.69	930.45		933.14	223.83	709.31
Welfare Administration:						
Salaries and Wages	1,000.00			1,000.00	1,000.00	
Community on Cable	279.00	4,045.02		4,324.02	1,629.00	2,695.02
<u>RECREATION AND EDUCATION</u>						
Parks and Playgrounds:						
Salaries and Wages		2,619.94		2,619.94		2,619.94
Other Expenses	638.60	5,332.16		5,970.76	5,548.70	422.06
<u>CODE ENFORCEMENT</u>						
State Uniform Construction Code Official:						
Salaries and Wages		2,618.66		2,618.66	2,617.00	1.66
Other Expenses	3,478.88	12,463.42		15,942.30	1,570.10	14,372.20
<u>UNCLASSIFIED</u>						
Natural Gas	4,588.69	12,535.09		19,998.78	19,977.83	20.95
Electricity	286.88	45,371.13		45,658.01	42,116.02	3,541.99
Water	822.47	2,822.15		3,644.62	2,824.61	820.01
Telephone	9,516.84	8,075.38		17,592.22	8,561.54	9,030.68
Street Lighting	1,104.60	17,113.80		18,218.40	10,777.89	7,440.51
Gasoline	3,076.75	38,019.69		38,221.44	14,839.02	23,382.42
Postage		1,000.00		1,000.00		1,000.00
Condominium Service Law	660.24	197.52		857.76		857.76

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-13
Sheet #5

2017 APPROPRIATION RESERVES

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2017</u>		<u>Modified</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>STATUTORY EXPENDITURES</u>					
Contribution to:					
Social Security System (OASI)	\$ -	\$ 18,059.60	\$ 22,909.60	\$ 22,753.74	\$ 155.86
DCRP		119.31	119.31	118.48	0.83
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Maintenance of Free Public Library		141,081.11	141,081.11	141,081.11	-
Planning Board (P.L. 1985, Ch. 222):					
Other Sewer		985.86	985.86		985.86
	<u>\$ 242,137.74</u>	<u>\$ 995,193.65</u>	<u>\$ 1,237,331.39</u>	<u>\$ 908,763.78</u>	<u>\$ 328,567.61</u>
<u>Reference</u>	<u>A</u>	<u>A</u>		<u>Below</u>	<u>A-1</u>

Ref.

Cash Disbursements	\$ 905,425.28
Interfunds Payable	3,338.50
	<u>\$ 908,763.78</u>

Above

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

RESERVE FOR GRANTS - UNAPPROPRIATED

A-14

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Transfers</u>	<u>Collections</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Forestry Management	\$	-	\$ 3,000.00	\$ 3,000.00
Alcohol Education Rehab			2,636.37	2,636.37
Body Armor Replacement Fund	2,588.97	2,588.97	900.00	900.00
CDBG - Senior Citizen Center Program	9,211.50	9,211.50		
Clean Communities Program	26,291.52	26,291.52	25,152.50	25,152.50
DOT - Park Avenue	130,436.06	130,436.06		
Greening Union County			1,750.00	1,750.00
Union County Kids Recreation	53,058.87	53,058.87	40,125.00	40,125.00
Union County Means Green - Plant a Seed			500.00	500.00
Recycling Enhancement Grant			7,200.00	7,200.00
Recycling Tonnage Program	<u>17,452.05</u>	<u>17,452.05</u>		
	<u>\$239,038.97</u>	<u>\$239,038.97</u>	<u>\$81,263.87</u>	<u>\$ 81,263.87</u>
<u>Reference</u>	<u>A</u>	<u>A-23</u>	<u>A-19</u>	<u>A</u>

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

RESERVE FOR GRANTS - APPROPRIATED

A-15

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>2018 Budget</u> <u>Appropriation</u>	<u>Paid or</u> <u>Charged</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
2006 Kids Recreation	\$ 1,050.00	\$	\$	\$	\$ 1,050.00
Alcohol Education and Rehabilitation	12,681.83		2,400.00		10,281.83
Body Armor Replacement Fund	1,887.35	2,589.00	384.90		4,091.45
Business Stimulus Fund Grant	282.54				282.54
CDBG Senior Citizen Center Programming		9,211.50		9,211.50	
Clean Communities Grant		26,291.52	25,152.50		1,139.02
Commerce Downtown Improvements	40,000.00				40,000.00
COPS Secure Our Schools Grant	74,438.33				74,438.33
Department of Transportation		130,436.06	130,436.06		
Drunk Driving Enforcement	4,767.77		1,942.67		2,825.10
Environmental Commission	250.00				250.00
FEMA - Assistance to Firefighter	11,458.06				11,458.06
FEMA - Hazard Mitigation Grant	94,000.00		83,250.00		10,750.00
AFG Fire Prevention and Safety Grant	3,052.30				3,052.30
Forestry Management	7,970.00				7,970.00
Greening Union County - Kids Recreation	11,916.20				11,916.20
Greening Union County - Trees	1,785.00				1,785.00
Greening Union County	5,254.00	2,500.00			7,754.00
Municipal Alliance		14,123.00	13,066.41	1,056.59	
Municipal Alliance - Local Match		3,531.00	3,531.00		
Municipal Alliance Waste Water Management Plan Grant	15,000.00				15,000.00
N.J. Forest Service Community Forestry Program	12,435.00		12,435.00		
Open Land Inventory	1,500.00				1,500.00
Police Technology	1,196.45				1,196.45
PSE&G Emergency Service	1,839.11				1,839.11
2011 Recycling Grant	76,297.64	17,452.05	63,774.17		29,975.52
Storm Water Management Grant	4,334.52				4,334.52
Sustainable Jersey Small Grant	14,550.00				14,550.00
Union County Field Dreams	54,095.60				54,095.60
Union County Infrastructure Grant	50,000.00	50,000.00			100,000.00
Union County Pocket Parks	3,753.45				3,753.45
Union County Recreation Grant - 2009	9,245.06	53,058.87	53,006.40		9,297.53
Union County Senior Focus	85,844.45				85,844.45
	<u>\$ 600,884.66</u>	<u>\$ 309,193.00</u>	<u>\$ 389,379.11</u>	<u>\$ 10,268.09</u>	<u>\$ 510,430.46</u>

Reference

A

Below

A-19

A-19

A

Ref.

2018 Budget Appropriations
Local Match

A-3

\$ 305,662.00

A-19

3,531.00

Above

\$ 309,193.00

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

PREPAID TAXES

A-16

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 6,839,247.67
Increased by:		
Collections	A-4	<u>382,548.09</u> 7,221,795.76
Decreased by:		
Applied	A-11	<u>6,839,247.67</u>
Balance December 31, 2018	A	<u>\$ 382,548.09</u>

TAX OVERPAYMENTS

A-17

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 14,718.76
Increased by:		
Overpayments	A-4	<u>199,680.93</u> 214,399.69
Decreased by:		
Applied	A-11	\$ 14,718.76
Refunds	A-4	<u>177,251.06</u>
		<u>191,969.82</u>
Balance December 31, 2018	A	<u>\$ 22,429.87</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

SEWER USER CHARGES RECEIVABLE

A-18

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 48,667.19
Increased by:		
2018 Sewer Billings	Reserve	<u>387,820.18</u>
		436,487.37
Decreased by:		
Cash Receipts	A-2,4	<u>386,272.32</u>
Balance December 31, 2018	A	<u><u>\$ 50,215.05</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-19

GRANT FUND
INTERFUNDS

	<u>Ref.</u>	<u>Total</u>	<u>Current Fund</u>	<u>Other Trust Fund</u>	<u>General Capital Fund</u>
Balance December 31, 2017:					
Due From	A	<u>\$ 685,624.63</u>	<u>\$ 511,473.29</u>	<u>\$ 35,365.28</u>	<u>\$ 138,786.06</u>
Increased by:					
Unappropriated Grant Reserves	A-14	81,263.87	81,263.87		
2018 Budget	A-15	3,531.00	3,531.00		
Grants Receivable	A-23	91,548.82	91,548.82		
Cancellation of Grant Receivables	A-23	1,123.21	1,123.21		
		<u>177,466.90</u>	<u>177,466.90</u>		
Decreased by:					
Cancellation of Grant Expenditures	A-15	10,268.09	10,268.09		
	A-15	389,379.11	205,936.65	53,006.40	130,436.06
		<u>399,647.20</u>	<u>216,204.74</u>	<u>53,006.40</u>	<u>130,436.06</u>
Balance December 31, 2018:					
Due From	A	<u>\$ 481,085.45</u>	<u>\$ 472,735.45</u>	<u>\$ -</u>	<u>\$ 8,350.00</u>
(Due To)	A	<u>\$ (17,641.12)</u>		<u>\$ (17,641.12)</u>	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COUNTY TAXES PAYABLE

A-20

	<u>Ref.</u>		
Balance December 31, 2017	A		\$ 58,844.31
Increased by:			
2018 Tax Levy	A-1	\$17,858,153.19	
Added and Omitted County Taxes	A-1	<u>53,552.52</u>	
	A-2a,11		<u>17,911,705.71</u>
			<u>17,970,550.02</u>
Decreased by:			
Payments	A-4		<u>17,917,060.35</u>
Balance December 31, 2018	A		<u>\$ 53,489.67</u>

LOCAL SCHOOL DISTRICT TAXES

A-21

	<u>Ref.</u>		
Balance December 31, 2017	A		\$ 33.00
Increased by:			
Levy Calendar Year 2018	A-1,2a,11		<u>42,490,793.00</u>
			<u>42,490,826.00</u>
Decreased by:			
Payments	A-4		<u>42,490,823.00</u>
Balance December 31, 2018	A		<u>\$ 3.00</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

INTERFUNDS

	<u>Ref.</u>	<u>Total</u>	<u>Federal/State Grant Fund</u>	<u>General Capital Fund</u>	<u>Trust Other Fund</u>
Balance December 31, 2017:					
Due From	A	<u>\$ 5,245.73</u>			<u>\$ 5,245.73</u>
(Due To)	A	<u>\$ (649,224.54)</u>	<u>\$ (511,473.29)</u>	<u>\$ (137,751.25)</u>	
Increased by:					
Cancellation of Grant Reserves	A-1	<u>\$ 9,144.88</u>	<u>\$ 9,144.88</u>		<u>\$</u>
Cash Disbursements	A-4	<u>216,936.65</u>	<u>205,936.65</u>		<u>11,000.00</u>
		<u>226,081.53</u>	<u>215,081.53</u>		<u>11,000.00</u>
Decreased by:					
Budget Appropriations	A-3	<u>17,071.12</u>	<u>3,531.00</u>	<u>13,540.12</u>	
Cash Receipts	A-4	<u>486,463.76</u>	<u>172,812.69</u>	<u>313,651.07</u>	
Appropriation Reserves	A-13	<u>3,338.50</u>			<u>3,338.50</u>
		<u>506,873.38</u>	<u>176,343.69</u>	<u>327,191.19</u>	<u>3,338.50</u>
Balance December 31, 2018:					
Due From	A	<u>\$ 12,907.23</u>			<u>\$ 12,907.23</u>
(Due To)	A'	<u>\$ (937,677.89)</u>	<u>\$ (472,735.45)</u>	<u>\$ (464,942.44)</u>	
Analysis of Interfunds Receivable Balance					
Balance December 31, 2017	Above	<u>\$ 5,245.73</u>			
Balance December 31, 2018	Above	<u>12,907.23</u>			
Net Charge to Operations	A-1	<u>\$ (7,661.50)</u>			

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

GRANTS RECEIVABLE

A-23

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>2018</u> <u>Grants</u>	<u>Collections</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
CDBG - Senior Citizen Center Program	\$ 1,000.00	\$ 9,211.50	\$ 9,211.50	\$	\$ 1,000.00
CDBG - Senior Citizen Transportation Program		26,291.52	26,291.52		
Clean Communities Grant		130,436.06	130,436.06	49.00	
Department of Transportation - Park Avenue	20,954.00				20,905.00
FEMA - Assistance to Firefighter Assistance Grant	100,000.00				100,000.00
FEMA - Hazard Mitigation Grant	1,345.00				1,345.00
Fire and Prevention Safety Grant	1,000.00				
Greening Union County		2,500.00	3,500.00		
Municipal Alliance		14,123.00	13,048.82	1,074.18	
New Jersey Sustainable Small Cities Program	5,000.00				5,000.00
Recycling Tonnage Program		17,452.05	17,452.05		
Body Armor Replacement Program		2,589.00	2,588.97	0.03	
Union County Infrastructure Grant		50,000.00	50,000.00		
N.J. Forest Service Community Forestry Program	25,000.00		25,000.00		
Union County - Kids Recreation Trust Grant		53,058.87	53,058.87		
	<u>\$ 154,299.00</u>	<u>\$ 305,662.00</u>	<u>\$ 330,587.79</u>	<u>\$ 1,123.21</u>	<u>\$ 128,250.00</u>
<u>Reference</u>	<u>A</u>	<u>A-2</u>	<u>Below</u>	<u>A-19</u>	<u>A</u>
		<u>Ref.</u>			
Unappropriated Reserves		A-14	\$ 239,038.97		
Interfunds		A-19	91,548.82		
		Above	<u>\$ 330,587.79</u>		

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

RESERVE FOR VARIOUS DEPOSITS

A-24

	<u>Ref.</u>	
Balance December 31, 2017	A	<u>\$ 6,795.08</u>
Balance December 31, 2018	A	<u><u>\$ 6,795.08</u></u>

DUE TO STATE OF NEW JERSEY

A-25

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 175.00
Increased by:		
Cash Receipts	A-4	<u>57,089.00</u>
		57,264.00
Decreased by:		
Cash Disbursements	A-4	<u>26,432.00</u>
Balance December 31, 2018	A	<u><u>\$ 30,832.00</u></u>

Analysis of Balance

DCA Training Fees		\$ 30,582.00
Marriage Licenses		<u>250.00</u>
		<u><u>\$ 30,832.00</u></u>

DEFERRED CHARGES

A-26

	<u>Ref.</u>	
Increased by:		
Overexpenditure of Appropriation Reserve	A-4	<u>\$ 23,292.47</u>
Balance December 31, 2018	A	<u><u>\$ 23,292.47</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

B-1

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Trust Other Fund</u>
Balance December 31, 2017	B	\$64,514.48	\$ 7,529,834.30
Increased by Receipts:			
Animal Control Expenditures	B-2	\$ 4,864.60	\$
Payroll Deductions	B-4		4,773,919.28
Due to State of New Jersey	B-5	487.40	
Net Payroll Payable	B-6		8,247,488.22
Various Reserves and Deposits	B-7		1,874,106.24
Reserve for Affordable Housing	B-8		46,729.07
Unemployment Compensation Insurance	B-9		15,000.00
Reserve for Recreation	B-10		570,136.71
Reserve for Equitable Sharing	B-11		900.00
Prepaid Revenue	B-12	355.00	
		<u>5,707.00</u>	<u>15,528,279.52</u>
		70,221.48	23,058,113.82
Decreased by Disbursements:			
Animal Control Expenditures	B-2		
Interfunds	B-3	1,005.23	3,338.50
Payroll Deductions	B-4		4,752,985.67
Due to State of New Jersey	B-5	495.00	
Net Payroll Payable	B-6		8,231,813.76
Various Reserves and Deposits	B-7		2,136,547.87
Reserve for Affordable Housing	B-8		33,796.98
Unemployment Compensation Insurance	B-9		9,484.06
Reserve for Recreation	B-10		536,159.17
Reserve for Equitable Sharing	B-11		9,526.94
		<u>1,500.23</u>	<u>15,713,652.95</u>
Balance December 31, 2018	B	<u>\$68,721.25</u>	<u>\$ 7,344,460.87</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

B-2

	<u>Ref.</u>	
Balance December 31, 2017	B	\$63,864.48
Increased by:		
Collections:		
Dog License Fees Collected		\$4,539.60
Cat License Fees Collected		<u>325.00</u>
	B-1	4,864.60
Prepaid Revenue Applied	B-12	<u>602.00</u>
		5,466.60
		<u>69,331.08</u>
Decreased by:		
Expenditures Under N.J.S. 40A:4-39	B-1	<u>1,005.23</u>
Balance December 31, 2018	B	<u><u>\$68,325.85</u></u>

<u>License Fees Collected</u>	
<u>Year</u>	<u>Amount</u>
2016	\$ 4,604.60
2017	<u>4,937.80</u>
	<u><u>\$ 9,542.40</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

INTERFUNDS

B 3

	<u>Ref.</u>	<u>Total</u>	<u>Trust Other Funds</u>	
			<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2017: (Due To)/Due From	B	<u>\$(40,611.01)</u>	<u>\$ (5,245.73)</u>	<u>\$(35,365.28)</u>
Increased by:				
Cash Disbursements	B-1	3,338.50	3,338.50	
Recreation - Reserve for Expenditures	B-10	<u>53,006.40</u>		<u>53,006.40</u>
		56,344.90	<u>3,338.50</u>	<u>53,006.40</u>
Decreased by:				
Recreation Reserve for Expenditures	B-10	<u>11,000.00</u>	<u>11,000.00</u>	
Balance December 31, 2018: (Due To)/Due From	B	<u>\$ 4,733.89</u>	<u>\$ (12,907.23)</u>	<u>\$ 17,641.12</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

TRUST OTHER FUNDS
PAYROLL DEDUCTIONS PAYABLE

B-4

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 6,741.18
Increased by:		
Payroll Deductions	B-1	4,773,919.28
		<u>4,780,660.46</u>
Decreased by:		
Cash Disbursements	B-1	4,752,985.67
		<u>4,752,985.67</u>
Balance December 31, 2018	B	<u>\$ 27,674.79</u>

ANIMAL CONTROL TRUST FUND
DUE TO STATE OF NEW JERSEY

B-5

	<u>Ref.</u>	
Increased by:		
Cash Receipts	B-1	\$487.40
Prepaid Applied	B-12	<u>48.00</u>
		\$ 535.40
Decreased by:		
Cash Disbursement	B-1	<u>495.00</u>
Balance December 31, 2018	B	<u>\$ 40.40</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

TRUST OTHER FUNDS
NET PAYROLL PAYABLE

B-6

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 9,043.94
Increased by:		
Receipts	B-1	<u>8,247,488.22</u>
		8,256,532.16
Decreased by:		
Disbursements	B-1	<u>8,231,813.76</u>
Balance December 31, 2018	B	<u>\$ 24,718.40</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR EXPENDITURES

B-7

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Police Forfeiture - Law Enforcement Funds	\$ 8,571.85	\$	\$	\$ 8,571.85
Tax Sale Certificates	18,188.96	63,658.66	80,157.75	1,689.87
Tax Sale Premiums	146,300.91	42,499.09	153,200.00	35,600.00
Bandstand Improvements	509.35			509.35
Regional Board of Health Settlement	7,903.92			7,903.92
Street Opening Deposits	8,099.96			8,099.96
Tree Deposit	52,961.77	4,900.00	17,377.79	40,483.98
Christmas Tree Sellers' Deposits	625.00			625.00
Fire Sub-Code	40,704.78	1,100.99	2,874.00	38,931.77
Parking Offense Adjudication Act	977.96	44.00		1,021.96
Municipal Alliance	1,852.48			1,852.48
Public Defender	12,313.25	3,613.50	1,275.00	14,651.75
Green Acres	174,084.81	2,700.16	10,308.98	166,475.99
Developers' Escrow	4,666,023.09	909,968.50	1,116,397.21	4,459,594.38
Sewer Pump Station Study	18,000.00			18,000.00
Peppertown Park Project	6,008.98		160.00	5,848.98
Donations	31,084.45	11,495.01	14,653.67	27,925.79
Police Escrow	173,575.00	675,255.13	686,514.28	162,315.85
Miscellaneous	12,072.72			12,072.72
Youth Academy Donation	3,892.70	8,106.20	7,530.60	4,468.30
Snow Removal	122,283.55	77,000.00	25,681.57	173,601.98
Accumulated Sick Time	160,242.60	73,765.00	20,417.02	213,590.58
	<u>\$5,666,278.09</u>	<u>\$1,874,106.24</u>	<u>\$2,136,547.87</u>	<u>\$5,403,836.46</u>
<u>Reference</u>	<u>B</u>	<u>B-1</u>	<u>B-1</u>	<u>B</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR AFFORDABLE HOUSING DEPOSITS

B-8

	<u>Ref.</u>	
Balance December 31, 2017	B	\$1,557,620.11
Increased by:		
Receipts	B-1	<div style="display: flex; justify-content: space-between;"> 46,729.07 </div>
		1,604,349.18
Decreased by:		
Disbursements	B-1	<div style="display: flex; justify-content: space-between;"> 33,796.98 </div>
Balance December 31, 2018	B	<div style="display: flex; justify-content: space-between;"> \$1,570,552.20 </div>

RESERVE FOR STATE UNEMPLOYMENT INSURANCE

B-9

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 113,539.97
Increased by:		
Receipts	B-1	<div style="display: flex; justify-content: space-between;"> 15,000.00 </div>
		128,539.97
Decreased by:		
Disbursements	B-1	<div style="display: flex; justify-content: space-between;"> 9,484.06 </div>
Balance December 31, 2018	B	<div style="display: flex; justify-content: space-between;"> \$ 119,055.91 </div>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RECREATION
RESERVE FOR EXPENDITURES

B-10

	<u>Ref.</u>		
Balance December 31, 2017	B		\$ 99,199.60
Increased by:			
Receipts	B-1	\$ 570,136.71	
Interfunds	B-3	<u>53,006.40</u>	
			<u>623,143.11</u>
			<u>722,342.71</u>
Decreased by:			
Disbursements	B-1	536,159.17	
Interfunds	B-3	<u>11,000.00</u>	
			<u>547,159.17</u>
Balance December 31, 2018	B		<u><u>\$175,183.54</u></u>

RESERVE FOR EQUITABLE SHARING

B-11

	<u>Ref.</u>		
Balance December 31, 2017	B		\$ 32,152.97
Increased by:			
Receipts	B-1		<u>900.00</u>
			<u>33,052.97</u>
Decreased by:			
Disbursements	B-1		<u>9,526.94</u>
Balance December 31, 2018	B		<u><u>\$ 23,526.03</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

ANIMAL CONTROL FUND
PREPAID REVENUE

B-12

	<u>Ref.</u>		
Balance December 31, 2017	B		\$ 650.00
Increased by:			
Cash Receipts	B-1		<u>355.00</u>
			1,005.00
Decreased by:			
Applied to 2018:			
License Fees	B-2	\$602.00	
Due to State of New Jersey	B-5	<u>48.00</u>	
			<u>650.00</u>
Balance December 31, 2018	B		<u><u>\$ 355.00</u></u>

DUE TO STATE OF NEW JERSEY

B-13

	<u>Ref.</u>		
Balance December 31, 2017	B		<u>\$4,647.43</u>
Balance December 31, 2018	B		<u><u>\$4,647.43</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

C-2

	<u>Ref.</u>		
Balance December 31, 2017	C		\$ 3,146,616.60
Increased by Receipts:			
Interfunds	C-4	\$ 636,971.04	
Capital Improvement Fund	C-7	150,000.00	
Bond Anticipation Notes	C-12	32,270,118.00	
Reserve to Pay Debt	C-16	<u>357,875.61</u>	
			<u>33,414,964.65</u>
			36,561,581.25
Decreased by Expenditures:			
Interfunds	C-4	303,555.04	
Improvement Authorizations	C-8	4,735,915.39	
Bond Anticipation Notes	C-12	<u>15,703,534.00</u>	
			<u>20,743,004.43</u>
Balance December 31, 2018	C		<u>\$15,818,576.82</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

ANALYSIS OF CAPITAL CASH AND INVESTMENTS

C-3

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>		<u>Balance</u>
		<u>Dec. 31, 2017</u>			<u>From</u>	<u>To</u>	<u>Dec. 31, 2018</u>
	Fund Balance	\$ 114,949.60	\$	\$	\$	\$	\$ 114,949.60
	Capital Improvement Fund	142,004.80	150,000.00		94,025.00		197,979.80
	State Aid Receivable	(250,000.00)				250,000.00	
	Loans Receivable	(563,402.52)					(563,402.52)
	Interfunds	1,034.81			457,627.25		(456,592.44)
	Reserve for Senior Citizens' Bus	8,500.00	357,875.61				8,500.00
	Reserve to Pay Debt						357,875.61
	Deferred Charge	(13,540.12)				13,540.12	
	<u>Improvement Authorizations</u>						
43-99	Various Library Improvements	18,251.00					18,251.00
00-13	Various Capital Improvements	93.65					93.65
07-13/08-22	Various Improvements to Waste Water Treatment System	240,910.43					240,910.43
08-26	Various General Improvements	(63,048.27)					(63,048.27)
04-10	Various Road Improvements	37,447.69					37,447.69
18-11	Tax Appeal Refunding Bond Ordinance	31,100.72					31,100.72
09-12	Various Capital Improvements and Equipment	18,603.75		8,846.75			9,757.00
10-12	Various Capital Improvements and Equipment	5,100.00		5,100.00			
09-13	Various Capital Improvements	6,343.16					6,343.16
10-13	Various Capital Improvements and Equipment	5,281.78		281.78			5,000.00
03-14	Various Capital Improvements	41,148.69		24,818.81			16,329.88
04-14	Various Road Improvements	200,121.55		548,725.79		194,087.13	(154,517.11)
08-14	Municipal Facility Study	1,179.89					1,179.89
09-15	Various Capital Improvements	327,808.27		954.29			16,045.71
11-16	Various Capital Improvements	17,000.00		237,262.39		17,000.00	90,545.88
3-17	Equipment	1,564,652.82			17,000.00		
4-17	Municipal Complex Redevelopment Project	198.80	16,000,000.00	2,445,329.93			15,119,322.89
7-17	Acquisition of Various Equipment	1,210,688.10		834,843.93			375,844.17
21-17	Acquisition of Property and Redevelopment Plan	44,188.00	900,000.00	34,813.17			9,374.83
26-17	Various Capital Improvements			409,799.55		49,175.00	539,375.45
9-18	Rehabilitation of Treatment Plant			185,139.00		9,300.00	(175,839.00)
20-18	Installation of Back-Up Fuel Tank					35,550.00	35,550.00
21-18							
		<u>\$ 3,146,616.60</u>	<u>\$ 17,407,875.61</u>	<u>\$ 4,735,915.39</u>	<u>\$ 568,652.25</u>	<u>\$ 568,652.25</u>	<u>\$ 15,818,576.82</u>

Reference

C

C-2

C-2

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TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

INTERFUNDS

C-4

	<u>Ref.</u>	<u>Total</u>	<u>Grant Fund</u>	<u>Current Fund</u>
Balance December 31, 2017:				
Due (To)/From	C	<u>\$ (1,034.81)</u>	<u>\$(138,786.06)</u>	<u>\$137,751.25</u>
Increased by:				
Cash Disbursements	C-1	303,555.04		303,555.04
Budget Appropriations	C-6	333,416.00		333,416.00
Deferred Charges Unfunded	C-6	194,087.13	130,436.06	63,651.07
State Aid Receivable	C-9	250,000.00		250,000.00
Deferred Charges	C-15	13,540.12		13,540.12
		<u>1,094,598.29</u>	<u>130,436.06</u>	<u>964,162.23</u>
Decreased by:				
Cash Receipts	C-1	<u>636,971.04</u>		<u>636,971.04</u>
Balance December 31, 2018:				
Due (To)/From	C	<u>\$ 456,592.44</u>	<u>\$ (8,350.00)</u>	<u>\$464,942.44</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

C-5

	<u>Ref.</u>		
Balance December 31, 2017	C		\$9,165,483.54
Decreased by:			
Budget Appropriation to Pay Bonds	C-10	\$ 740,000.00	
Budget Appropriation to Pay Loan	C-11	<u>1,003,184.54</u>	
			<u>1,743,184.54</u>
Balance December 31, 2018	C		<u>\$7,422,299.00</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

CAPITAL IMPROVEMENT FUND

C-7

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 142,004.80
Increased by:		
2018 Appropriations	C-2	<u>150,000.00</u>
		292,004.80
Decreased by:		
Improvement Authorizations	C-8	<u>94,025.00</u>
Balance December 31, 2018	C	<u><u>\$ 197,979.80</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-8

IMPROVEMENT AUTHORIZATIONS

	Number	Ordinance Date	Amount	Balance Dec. 31, 2017		2018 Authorizations	Paid or Charged	Balance Dec. 31, 2018	
				Funded	Unfunded			Funded	Unfunded
General Improvements	43-99	09/07/99	\$ 35,000.00	\$ 18,251.00	\$ 13,250.00	\$	\$ 18,251.00	\$ 13,250.00	
Various Library Improvements	00-13	06/27/00	1,750,815.00	93.65			93.65		
Various Capital Improvements to Waste Water Treatment System	07-13/08-22	09/09/08	4,250,000.00	240,910.43			240,910.43		
Various Road Improvements	04-10	03/20/09	900,000.00		37,447.69			37,447.69	
Tax Appeal Refunding Bond Ordinance	18-11	07/26/11	1,167,000.00		311,100.72			31,100.72	
Various Capital Improvements and Equipment	09-12	08/07/12	57,000.00	18,603.75		8,846.75	9,757.00		
Various Capital Improvements and Equipment	10-12	08/07/12	1,608,874.00	5,100.00		5,100.00			
Various Capital Improvements	09-13	08/20/13	846,907.00		6,343.16			6,343.16	
Various Capital Improvements and Equipment	10-13	07/09/13	58,541.00	5,281.78		281.78	5,000.00		
Various Capital Improvements	03-14	08/12/14	783,550.00		41,148.69	24,818.81		16,329.88	
Various Road Improvements	04-14	08/12/14	5,000,000.00	1,150,121.55		548,725.79		601,395.76	
Municipal Facilities Study	8-14	10/07/14	30,494.89	1,179.89			1,179.89		
Various Road Improvements	9-15	08/18/15	1,664,250.00			954.29		16,045.71	
Various Capital Improvements	11-16	08/09/16	1,114,300.00		327,808.27	237,262.39		90,545.88	
Equipment	3-17	02/07/17	17,000.00	17,000.00					
Municipal Complex Redevelopment Project	4-17	02/07/17	28,000,000.00	27,564,652.82		2,445,329.93		25,119,322.89	
Aid to Municipal Complex Redevelopment Project	12-18	06/26/18	4,000,000.00				198.80	4,000,000.00	
Acquisition of Various Equipment	7-17	03/07/17	105,750.00	198.80					
Various Capital Improvements and Equipment	21-17	08/15/17	1,834,700.00	1,210,688.10		834,843.93		375,844.17	
Acquisition of Property and Redevelopment Plan	26-17	10/10/17	2,900,000.00	44,188.00		34,813.17		9,374.83	
Various Capital Improvements	9-18	06/26/18	949,175.00		949,175.00	409,799.55		539,375.45	
Rehabilitation of Treatment Plant	20-18	10/23/18	186,000.00		186,000.00	185,139.00		861.00	
Installation of Back-Up Fuel Tank	21-18	10/23/18	35,550.00		35,550.00		35,550.00		
				\$ 306,619.30	\$ 30,426,749.00	\$ 4,735,915.39	\$ 310,940.77	\$ 30,857,237.14	

Reference C C Below C-2 C

Ref.

Deferred Charges to Future Taxation - Unfunded Capital Improvement Fund

\$ 5,076,700.00 C-6
94,025.00 C-7
\$ 5,170,725.00 Above

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

STATE AID RECEIVABLE

C-9

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 250,000.00
Decreased by:		
Interfund - Due from Grant Fund	C-4	<u>250,000.00</u>
		<u>\$ -</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-10

SERIAL BONDS PAYABLE

Purpose	Original Issue		Bond Maturities Outstanding		Interest Rate	Balance Dec. 31, 2017	Decrease	Balance Dec. 31, 2018
	Date	Amount	Date	Amount				
General Improvement Bonds	12/01/09	\$ 7,604,000.00				\$ 460,000.00	\$ 460,000.00	\$
Refunding Bonds	12/01/16	4,775,000.00	12/01/19	\$ 430,000.00	3.000%			
			12/01/20	430,000.00	4.000%			
			12/01/21	430,000.00	4.000%			
			12/01/22	435,000.00	4.000%			
			12/01/23	435,000.00	4.000%			
			12/01/24	435,000.00	4.000%			
			12/01/25	440,000.00	4.000%			
		12/01/26	440,000.00	4.000%				
		12/01/27	430,000.00	4.000%		4,185,000.00	280,000.00	3,905,000.00
						<u>\$ 4,645,000.00</u>	<u>\$ 740,000.00</u>	<u>\$ 3,905,000.00</u>
					Reference	C	C-5	C

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #1

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

<u>Purpose</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2018</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Loan Revised	10/15/01	\$ 980,000.00	08/01/19	\$ 66,598.19	5.000%			
		952,727.63	08/01/20	71,387.07	4.750%			
			08/01/21	76,209.40	4.750%	\$ 290,000.00	\$ 75,805.34	\$ 214,194.66
New Jersey Environmental Infrastructure Loan	10/15/01	1,000,000.00	08/01/19	52,284.03	*			
			08/01/20	53,253.91	*			
			08/01/21	54,183.53	*	210,873.99	51,152.52	159,721.47
New Jersey Environmental Infrastructure Loan Revised	11/04/04	290,000.00	08/01/19	19,228.69	5.000%			
		278,209.46	08/01/20	19,226.77	5.000%			
			08/01/21	19,219.42	5.000%			
			08/01/22	19,208.84	5.000%			
			08/01/23	18,236.16	4.250%			
		08/01/24	22,720.64	4.375%	140,000.00	22,159.48	117,840.52	
New Jersey Environmental Infrastructure Loan	11/04/04	294,120.00	08/01/19	16,687.27	*			
			08/01/20	16,043.94	*			
			08/01/21	15,400.74	*			
			08/01/22	14,757.54	*			
			08/01/23	14,114.32	*			
		08/01/24	16,783.69	*	107,741.03	13,953.53	93,787.50	

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #2

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

<u>Purpose</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2018</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Loan Revised	11/08/07	\$ 2,190,000.00		\$ 103,000.00	4.000%			
		1,997,000.00	08/01/19		4.000%			
			08/01/20	108,000.00	4.000%			
			08/01/21	114,000.00	5.000%			
			08/01/22	122,000.00	5.000%			
			08/01/23	127,000.00	4.250%			
			08/01/24	132,000.00	4.500%			
			08/01/25	141,000.00	4.500%			
		08/01/26	146,000.00	4.500%				
		08/01/27	156,000.00	4.250%		\$ 1,425,000.00	\$ 276,000.00	\$ 1,149,000.00
New Jersey Environmental Infrastructure Loan	11/08/07	2,030,000.00			*			
			08/01/19	111,708.87	*			
			08/01/20	111,834.20	*			
			08/01/21	111,834.19	*			
			08/01/22	114,027.33	*			
			08/01/23	112,774.12	*			
			08/01/24	112,045.67	*			
			08/01/25	114,082.16	*			
		08/01/26	112,703.62	*		1,127,506.33	112,178.84	1,015,327.49
		08/01/27	114,317.33	*				

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #3

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

Purpose	Original Issue		Loan Maturities Outstanding Dec. 31, 2018		Interest Rate	Balance Dec. 31, 2017	Decrease	Balance Dec. 31, 2018
	Date	Amount	Date	Amount				
New Jersey Environmental Infrastructure Loan Revised	12/02/09	\$ 905,000.00	08/01/19	\$ 34,000.00	4.000%			
		752,000.00	08/01/20	33,000.00				
			08/01/21	37,000.00	4.000%			
			08/01/22	37,000.00	3.500%			
			08/01/23	41,000.00	4.000%			
			08/01/24	41,000.00				
			08/01/25	41,000.00	3.750%			
			08/01/26	45,000.00	4.000%			
			08/01/27	45,000.00				
			08/01/28	49,000.00				
		08/01/29	49,000.00	4.000%	\$ 650,000.00	\$ 198,000.00	\$ 452,000.00	
New Jersey Environmental Infrastructure Loan Revised	12/02/09	901,490.00	08/01/19	47,446.83	*			
		695,002.00	08/01/20	47,446.83	*			
			08/01/21	47,446.83	*			
			08/01/22	47,446.83	*			
			08/01/23	47,446.83	*			
			08/01/24	47,446.83	*			
			08/01/25	32,516.06	*			
						569,362.19	253,934.83	315,427.36
						\$4,520,483.54	\$1,003,184.54	\$3,517,299.00
						C	C-5	C

*Interest Free.

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-12

BOND ANTICIPATION NOTES

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2018</u>
04-10	Various Road Improvements	10/09/13	10/04/2018	10/04/2019	2.25%	\$ 359,750.00	\$ 337,750.00	\$ 359,750.00	\$ 337,750.00
10-12	Various Capital Improvements	10/10/12	10/04/2018	10/04/2019	2.25%	992,300.00	940,400.00	992,300.00	940,400.00
09-13	Various Capital Improvements	10/09/13	10/04/2018	10/04/2019	2.25%	674,000.00	609,000.00	674,000.00	609,000.00
03-14	Various Capital Improvements	10/08/14	10/04/2018	10/04/2019	2.25%	703,800.00	664,600.00	703,800.00	664,600.00
04-14	Various Road Improvements	10/08/14	10/04/2018	10/04/2019	2.25%	1,848,684.00	1,798,276.00	1,848,684.00	1,798,276.00
04-14	Various Road Improvements	10/04/17	10/04/2018	10/04/2019	2.25%	1,845,000.00	1,794,592.00	1,845,000.00	1,794,592.00
09-15	Various Road Improvements	10/06/15	10/04/2018	10/04/2019	2.25%	1,560,000.00	1,525,500.00	1,560,000.00	1,525,500.00
11-16	Various Capital Improvements	08/09/16	10/04/2018	10/04/2019	2.25%	1,058,000.00	1,058,000.00	1,058,000.00	1,058,000.00
04-17	Municipal Complex Redevelopment	12/21/17	10/04/2018	10/04/2019	1.57%	2,000,000.00	18,000,000.00	2,000,000.00	18,000,000.00
21-17	Various Capital Improvements and Equipment	10/04/17	10/04/2018	10/04/2019	2.25%	1,742,000.00	1,742,000.00	1,742,000.00	1,742,000.00
26-17	Acquisition of Property and Redevelopment Plan	12/21/17	10/04/2018	10/04/2019	1.57%	2,900,000.00	2,900,000.00	2,900,000.00	2,900,000.00
09-18	Various Improvements and Equipment	10/04/18	10/04/2018	10/04/2019	2.25%	900,000.00	900,000.00	900,000.00	900,000.00
						<u>\$ 15,703,534.00</u>	<u>\$ 32,270,118.00</u>	<u>\$ 15,703,534.00</u>	<u>\$ 32,270,118.00</u>
					<u>Reference</u>	<u>C</u>	<u>C-2</u>	<u>C-2</u>	<u>C</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

RESERVE FOR SENIOR CITIZENS' BUS

C-13

	<u>Ref.</u>	
Balance December 31, 2017	C	<u>\$ 8,500.00</u>
Balance December 31, 2018	C	<u><u>\$ 8,500.00</u></u>

INFRASTRUCTURE LOAN RECEIVABLE

C-14

	<u>Ref.</u>	
Balance December 31, 2017	C	<u>\$ 563,402.52</u>
Balance December 31, 2018	C	<u><u>\$ 563,402.52</u></u>

DEFERRED CHARGES

C-15

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 13,540.12
Decreased by:		
Interfund - Due from Current Fund	C-4	<u>13,540.12</u>
		<u><u>\$ -</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

RESERVE TO PAY DEBT

C-16

	<u>Ref.</u>	
Increased by:		
Cash Receipts	C-2	<u>\$ 357,875.61</u>
Balance December 31, 2018	C	<u><u>\$ 357,875.61</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

C-17

<u>Improvement Description</u>	<u>Ordinance Number</u>	<u>Balance Dec. 31, 2017</u>	<u>Authorized</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2018</u>
Various Library Improvements	43-99	\$ 13,250.00	\$	\$	\$ 13,250.00
Various Capital Improvements	08-26	63,048.27			63,048.27
Various Road Improvements	04-14	950,000.00		194,087.13	755,912.87
Municipal Complex Redevelopment	04-17	26,000,000.00		16,000,000.00	10,000,000.00
Supplemental Appropriation Ord. #4-17	12-18		4,000,000.00		4,000,000.00
Various Capital Improvements	09-18		900,000.00	900,000.00	-
Rehabilitation of Treatment Plant	20-18		176,700.00		176,700.00
		<u>\$27,026,298.27</u>	<u>\$5,076,700.00</u>	<u>\$17,094,087.13</u>	<u>\$15,008,911.14</u>

Reference

0

C-8

Below

0

Ref.

Deferred Charges - Unfunded
Bond Anticipation Notes

\$ 194,087.13
16,900,000.00

C-6
C-11

\$17,094,087.13

Above

PART II

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING**

ROSTER OF OFFICIALS

GENERAL COMMENTS, FINDINGS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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

The Honorable Mayor and Members
of the Township Council
Township of Berkeley Heights
Berkeley Heights, New Jersey 07922

We have audited the financial statements - regulatory basis of the various funds of the Township of Berkeley Heights, in the County of Union, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements - regulatory basis and have issued our report thereon dated August 19, 2019. These financial statements - regulatory basis have been prepared in conformity with accounting principles 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements - regulatory basis, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 - regulatory basis 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements - regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management in the comments and recommendations section of this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Township'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey
August 19, 2019

**ROSTER OF OFFICIALS FOR THE YEAR 2018
AND REPORT ON SURETY BONDS**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Robert Woodruff	Mayor	\$ *
Jeanne Kingsley	President of the Council	*
Mike D'Aquila	Council Vice President	*
Craig Pastore	Councilperson	*
Susan Poage	Councilperson	*
Peter Bavoso	Councilperson	*
Manuel Couto	Councilperson	*
John Bussiculo	Township Administrator	*
Ana Minkoff	Township Clerk	*
Michel Marceau	Chief Financial Officer	200,000.00
Joseph Sordillo	Attorney	
Robert Bocchino	Engineer	
Robin Greenwald	Construction Code Official	*
Donald Bogosian	Municipal Court Judge	
August Santore, Jr.	Public Defender	*
John DiPasquale	Chief of Police	*
Michael Mitzner	Municipal Prosecutor	*
Anthony Padovano	Fire Chief	*
Thomas Barton	Recreation Director	*
Rachele San Fillipo	Tax Collector	200,000.00
Robert Edgar	Tax Assessor	*
Margaret Bottone	Deputy Chief Financial Officer	*

All of the bonds were examined and were properly executed.

*Covered by \$1,000,000.00 Blanket Position Bond - BGIA-GSMJIF Underwriting Unit.

GENERAL COMMENTS AND FINDINGS

Contracts and Agreements Required to be Advertised for (N.J.S. 40A:11-4)

N.J.S.A. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

It is pointed out that the Township Council has the responsibility of determining whether the expenditures in any category will exceed the threshold set for the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Township Attorney should be sought before a commitment is made.

The statutory bidding threshold for the period January 1, 2018 - December 31, 2018 was the sum of \$40,000.00.

Notwithstanding N.J.S.A. 40:11-3a, P.L. 2005, Chapter 51 and N.J.S.A. 19:44A-20.5 known as the "Pay to Play Law" provides that a municipality is prohibited from executing any contract in excess of \$17,500.00, on or after January 1, 2006, to a business entity that made certain reportable contributions to any municipal committee of a political party if a member of that party is in office as a member of the governing body of the municipality when the contract is awarded unless proposals or qualifications are solicited through a fair and open process.

The minutes indicate that bids were requested by public advertising.

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

The minutes indicate that proposals were solicited for "Professional Services" in accordance with N.J.S.A. 19:44:20.5.

It is also noted that certain contracts were awarded under the provisions of N.J.S.A. 40A:11-12, New Jersey State purchasing contracts.

Purchases, Contracts or Agreements Not Required to be Advertised (N.J.S. 40A:11-6.1)

N.J.S. 40A:11-6.1 states "Except contracts which require the performance of professional services, all contracts or agreements which do not require public advertising for bids and the estimated cost or price exceeds \$6,900.00, at least two quotations as to the cost or price are required. Quotations, whenever practicable, shall be solicited by the contracting agent, and the contract or agreement shall be made with and awarded to the lowest responsible bidder." The Township has adopted a policy of requesting quotes for all expenditures in excess of \$2,500.00.

Collection of Interest on Delinquent Taxes

N.J.S. 54:4-67, as amended, provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

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

BE IT RESOLVED by the Council of the Township of Berkeley Heights that the interest rate on delinquent taxes be fixed as follows:

- 8% per annum up to \$1,500.00 delinquency
- 18% per annum over \$1,500.00 delinquency
- 6% additional penalty for a delinquency over \$10,000.00 if not paid prior to the end of the calendar year

Any taxes not paid when due shall be called delinquent taxes ten days after the due date.

Tests of the Tax Collector's records indicate that interest was collected in accordance with the provisions of the foregoing resolution.

The last tax sale was held on October 3, 2018 and was complete.

Payroll Account

The propriety of deductions from employee salaries for pensions, Social Security, withholding tax and other purposes from employee payrolls were not verified as part of this audit.

Finance

Finding #2018-1:

Condition:

The following funds have reconciling items appearing on the bank reconciliations for over one (1) year and need to be investigated and resolved:

- Current Fund**
- Trust Fund - Developer's Escrow**
- Trust Fund - Net Payroll Account**
- Trust Fund - Other Trust Account**
- Trust Fund - Payroll Agency Account**
- Trust Fund - Recreation Trust Account**
- General Capital Fund**

Recommendation:

That the reconciling items appearing on the bank reconciliations of the various funds be investigated as to source and either cancelled, adjusted or charged to the current budget.

Finance (Continued)

Finding #2018-2:

Condition:

We noted the following concerning the fees collected on behalf of the State of New Jersey for marriage licenses and DCA training fees:

- The State of New Jersey portion of the marriage license fees collected were recorded as budgeted revenue. The State share of the revenue should be recorded in the general ledger as Due to the State of New Jersey. Marriage license revenue was overstated due to this error. We adjusted revenue and properly recorded the amount on the financial statements. Additionally, the quarterly remittance to the State was recorded to the account Refund of Anticipated Revenue. These amounts should be recorded in the general ledger as Due to the State of New Jersey. We made the appropriate adjustment and properly recorded the amount on the financial statements.
- The State of New Jersey portion of the DCA training fees and the quarterly remittances of those fees were recorded to the account Refund of Building Permits. The State share of the revenue collected and remitted should be recorded in the general ledger as Due to the State of New Jersey. We made the appropriate adjustment and properly recorded the amount on the financial statements.

Recommendation:

That fees collected on behalf of and remitted to the State of New Jersey be recorded in the general ledger.

Finding #2018-3:

Condition:

Current Fund cash disbursements recorded as Interfunds Receivable - Due from CDBG Trust did not have an offsetting Interfunds Payable recorded in the Trust Fund general ledger or charged to any Trust Fund reserve account.

Recommendation:

That Interfunds Receivable and Payable between various funds agree.

Finding #2018-4:

Condition:

Chapter 159 budget insertions, approved by the Division of Local Government Services, were not recorded on the Township's Budget/Encumbrance System. Additionally, an emergency resolution subsequently cancelled was recorded on the Township's Budget/Encumbrance System but not removed.

Recommendation:

That the Township's Budget/Encumbrance System reflect all activity.

Finance (Continued)

Finding #2018-5:

Condition:

A petty cash reimbursement check was not allocated and charged against the applicable budget accounts. We recorded this payment to operations.

Recommendation:

That the petty cash reimbursement be allocated and charged against the applicable budget accounts.

Finding #2018-6:

Condition:

A deferred charge for the overexpenditure of 2017 appropriation reserves was established on the balance sheet and is required to be raised in a subsequent year's budget. This deferred charge was the result of 2017 audit adjustments not being recorded on the Township's Budget/Encumbrance System which overstated the available 2017 appropriation reserve balance.

Recommendation:

That audit adjustments be recorded on the Township's records to ensure that the correct balances are reflected and avoid overexpenditures.

General Capital Fund

Finding #2018-7:

Condition:

Encumbrances were not properly established when the Township entered into contracts with various vendors.

Recommendation:

That encumbrances be established each time the Township enters into or amends a contract, due to change orders, to ensure sufficient funds are reserved to complete the project.

Finding #2018-8:

Condition:

The account Infrastructure Loan Receivable has a balance of \$563,402.52 that has remained unchanged since 2012. We are unable to determine the collectability of this receivable.

Recommendation:

That the Infrastructure Loan Receivable balance be investigated to determine the collectability.

Revenue Departments

Finding #2018-9:

Condition:

N.J.S.A. 40A:5-15 requires all funds be deposited or remitted to the Treasurer within 48 hours of receipt. The following department did not comply with that statute:

- Recreation Department

Recommendation:

That all departmental receipts be deposited or remitted to the Treasurer within 48 hours per N.J.S.A. 40A:5-15.

Finding #2018-10:

Condition:

We noted during our examination that the cash books of the following revenue departments did not agree with the amounts recorded by the Finance Department:

- Clerk/Fire Prevention
- Police
- Health
- Recreation

Recommendation:

That amounts collected and recorded in the cash books of the various departments agree with the amounts recorded by the Finance Department.

Finding #2018-11:

Condition:

We were unable to verify one or more specific fees charged by the Recreation Department.

Recommendation:

That the fee ordinance be updated to include all fees charged by the Recreation Department.

Corrective Action Plan

In accordance with regulations promulgated by the Division of Local Government Services, all municipalities are required to prepare and submit to the Division of Local Government Services a Corrective Action Plan with regard to audit deficiencies. This plan must be approved by formal resolution of the Governing Body and submitted within 60 days from the date the audit is received.

Status of Prior Years' Audit Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all with the exception of those recommendations marked with an asterisk.

Miscellaneous

A report summarizing collections of Dog License Fees and remittances of State Registration Fees has been prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

The Uniform Construction Code Enforcement Fee Report has been prepared and filed with the New Jersey Department of Community Affairs.

A copy of this report was filed with the New Jersey Division of Local Government Services.

A summary or synopsis of this report was prepared for publication and filed with the Township Clerk.

RECOMMENDATIONS

Finance:

That the reconciling items appearing on the bank reconciliations of the various funds be investigated as to source and either cancelled, adjusted or charged to the current budget.

That fees collected on behalf of and remitted to the State of New Jersey be recorded in the general ledger.

That Interfunds Receivable and Payable between various funds agree.

That the Township's Budget/Encumbrance System reflect all activity.

That the petty cash reimbursement be allocated and charged against the applicable budget accounts.

That audit adjustments be recorded on the Township's records to ensure that the correct balances are reflected and avoid overexpenditures.

General Capital Fund:

That encumbrances be established each time the Township enters into or amends a contract, due to change orders, to ensure sufficient funds are reserved to complete the project.

That the Infrastructure Loan Receivable balance be investigated to determine the collectability.

Revenue Departments:

- * That all departmental receipts be deposited or remitted to the Treasurer within 48 hours per N.J.S.A. 40A:5-15.

That amounts collected and recorded in the cash books of the various departments agree with the amounts recorded by the Finance Department

- * That the fee ordinance be updated to include all fees charged by the Recreation Department.

* * *

*Repeated from prior year.

The foregoing comments and resulting recommendations are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

We shall be pleased to confer on any questions that might arise with respect to any matters in this report.

We desire to express our appreciation for the assistance and courtesies rendered by the Township officials and employees during the course of the examination.

Respectfully submitted,



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCIONE, RMA, PA

Newark, New Jersey
June 19, 2019

