

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

**REPORT ON
EXAMINATION OF ACCOUNTS
FOR THE YEAR 2017**

**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, 2017

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, 2017 and December 31, 2016 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, 2017 and 2016, 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, 2017 and 2016, 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 accompanying financial statements.

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 June 25, 2018 on our consideration of the Township of Berkeley Heights's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
June 25, 2018

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

A
Sheet #1

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
<u>Regular Fund</u>			
Cash - Treasurer	A-4	\$ 10,934,563.83	\$ 3,429,351.00
Cash - Change Fund	A-8	400.00	400.00
Due to State of New Jersey per Chapter 20, P.L. 1971 - Senior Citizens' Deductions	A-10	5,489.13	5,834.33
		<u>10,940,452.96</u>	<u>3,435,585.33</u>
Receivables and Other Assets with Full Reserves:			
Tax Title Liens Receivable	A-6	91,632.73	84,340.53
Sewer User Charges Receivable	A-18	48,667.19	56,057.70
Delinquent Property Taxes Receivable	A-11	311,154.51	421,307.24
Revenue Accounts Receivable	A-12	9,873.61	6,876.05
Interfunds	A-22	5,245.73	
		<u>466,573.77</u>	<u>568,581.52</u>
		<u>11,407,026.73</u>	<u>4,004,166.85</u>
<u>Grant Fund</u>			
Interfunds	A-19	685,624.63	432,237.00
Grants Receivable	A-23	154,299.00	342,499.00
		<u>839,923.63</u>	<u>774,736.00</u>
		<u>\$ 12,246,950.36</u>	<u>\$ 4,778,902.85</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, 2017</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
<u>Regular Fund</u>			
Appropriation Reserves:			
Unencumbered	A-3,13	\$ 995,193.65	\$ 611,883.67
Encumbered	A-3,13	242,137.74	367,669.14
Accounts Payable - Current Fund	A-5	68,136.12	68,135.12
Sewer Overpayments	A-7	55,128.83	55,128.83
Prepaid Taxes	A-16	6,839,247.67	248,886.96
Tax Overpayments	A-17	14,718.76	1,182.48
Reserve for Various Deposits	A-24	6,795.08	6,795.08
County Taxes Payable	A-20	58,844.31	55,190.74
School Taxes Payable	A-21	33.00	5.00
Interfunds	A-22	649,224.54	462,325.63
Due to State of New Jersey	A-25	175.00	3,979.00
		<u>8,929,634.70</u>	<u>1,881,181.65</u>
Reserve for Receivables		466,573.77	568,581.52
Fund Balance	A-1	<u>2,010,818.26</u>	<u>1,554,403.68</u>
		<u>11,407,026.73</u>	<u>4,004,166.85</u>
 <u>Grant Fund</u>			
Interfunds	A-19		16,782.12
Reserve for Grants - Unappropriated	A-14	239,038.97	5,585.16
Reserve for Grants - Appropriated	A-15	600,884.66	752,368.72
		<u>839,923.63</u>	<u>774,736.00</u>
		<u>\$ 12,246,950.36</u>	<u>\$ 4,778,902.85</u>

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 2017</u>	<u>Year 2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 750,000.00	\$ 775,000.00
Miscellaneous Revenue Anticipated	A-2	4,443,485.24	4,085,830.09
Receipts from Delinquent Taxes	A-2	420,483.99	501,166.62
Receipts from Current Taxes	A-2a	73,212,837.98	71,549,686.31
Nonbudget Revenue	A-2a	278,817.00	103,515.36
Other Credits to Income:			
Grant Reserves Cancelled			12,296.17
Cancellations of Tax Overpayments			6,849.56
Unexpended Balance of Appropriation Reserves	A-13	252,793.76	258,094.83
Total Revenue and Other Income Realized		<u>79,358,417.97</u>	<u>77,292,438.94</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations (Within "CAPS"):			
Operations (Including Contingent)		12,993,954.00	12,636,523.00
Deferred Charges and Statutory Expenditures -			
Municipal		1,691,508.00	1,667,288.00
Budget (Excluded from "CAPS"):			
Operations		1,676,573.38	1,565,969.69
Capital Improvements		255,750.00	225,000.00
Municipal Debt Service		1,836,864.56	1,882,633.01
	A-3	<u>18,454,649.94</u>	<u>17,977,413.70</u>
Prior Year Deductions Disallowed			2,685.99
Cancellations of Tax Overpayments	A-17	10,953.14	
County Taxes	A-20	18,239,974.75	17,701,334.11
Added and Omitted County Taxes	A-20	58,907.66	55,254.09
Local School District Taxes	A-21	41,382,086.00	40,495,210.00
Grant Reserves Cancelled	A-22	186.17	
Interfund Advances	A-22	5,245.73	
Total Expenditures		<u>78,152,003.39</u>	<u>76,231,897.89</u>
Excess in Revenue		1,206,414.58	1,060,541.05
<u>Fund Balance</u>			
Balance January 1	A	<u>1,554,403.68</u>	<u>1,268,862.63</u>
		2,760,818.26	2,329,403.68
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>750,000.00</u>	<u>775,000.00</u>
Balance December 31	A	<u>\$ 2,010,818.26</u>	<u>\$ 1,554,403.68</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF REVENUE - REGULATORY BASIS

A-2

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Special N.J.S. 40A:4-87		
Fund Balance Anticipated	A-1	\$ 750,000.00	\$	\$ 750,000.00	\$
Miscellaneous Revenues:					
Fees and Permits	A-2a	306,000.00		645,872.49	339,872.49
Licenses:					
Alcoholic Beverages	A-12	15,750.00		21,036.88	5,286.88
Other	A-12	2,500.00		2,106.00	(394.00)
Fines and Costs:					
Municipal Court	A-12	125,000.00		148,767.03	23,767.03
Construction Code Official	A-12	500,000.00		415,905.00	(84,095.00)
Cable TV Franchise Fee	A-12	197,000.00		200,576.13	3,576.13
Consolidated Municipal Property Tax					
Relief Aid	A-12	159,166.00		151,108.00	(8,058.00)
Energy Receipts Tax	A-12	1,381,425.00		1,389,483.00	8,058.00
Interest and Costs on Taxes	A-12	107,000.00		120,719.12	13,719.12
Recycling Refund	A-12	17,000.00		17,245.80	245.80
Library Reimbursement of Costs	A-12	250,000.00		250,000.00	
Rents of Township Property	A-12	285,000.00		218,597.22	(66,402.78)
Sale of Alcohol Beverage License	A-12	325,000.00		325,000.00	
Uniform Fire Safety Act	A-12	45,000.00		43,634.48	(1,365.52)
Board of Education - Fuel Reimbursement	A-12	6,000.00		34,173.97	28,173.97
Sewer User Charges	A-18	260,000.00		362,428.74	102,428.74
Alcohol Education and Rehabilitation	A-23		2,123.22	2,123.22	
Body Armor Replacement Program	A-23	2,585.16		2,585.16	
Union County Infrastructure Grant	A-23	50,000.00		50,000.00	
NJ Forest Service Community Forestry					
Program	A-23		25,000.00	25,000.00	
Forestry Management	A-23	3,000.00		3,000.00	
Municipal Alliance	A-23	14,123.00		14,123.00	
	A-1	4,051,549.16	27,123.22	4,443,485.24	364,812.86
Receipts from Delinquent Taxes	A-1,11	435,000.00		420,483.99	(14,516.01)
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Budget	A-11	12,777,142.00		13,117,558.57	340,416.57
Minimum Library Tax	A-11	1,114,311.00		1,114,311.00	
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2a	13,891,453.00		14,231,869.57	340,416.57
Total Budget Revenue		19,128,002.16	27,123.22	19,845,838.80	690,713.42
Nonbudget Revenue	A-2a			278,817.00	278,817.00
		\$ 19,128,002.16	\$ 27,123.22	\$ 20,124,655.80	\$ 969,530.42
	<u>Reference</u>	<u>A-3</u>	<u>A-3</u>		

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	\$73,212,837.98
Allocated to:		
School and County Taxes	A-20,21	<u>59,680,968.41</u>
Balance for Support of Municipal Budget Appropriations		13,531,869.57
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>700,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$14,231,869.57</u></u>
Fees and Permits:		
Clerk	A-12	\$ 224,762.69
Police Department	A-12	2,454.19
Engineering/Planning Board	A-12	384,135.61
Board of Health	A-12	29,520.00
Fire Department	A-12	<u>5,000.00</u>
	A-2	<u><u>\$ 645,872.49</u></u>
<u>Analysis of Nonbudget Budget</u>		
Miscellaneous Revenue Not Anticipated:		
Treasurer:		
Senior Citizens - Administration Fee		\$ 1,773.19
Miscellaneous		<u>277,043.81</u>
	A-1,2,4	<u><u>\$ 278,817.00</u></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	
GENERAL GOVERNMENT						
Administrative and Executive:						
Salaries and Wages	\$ 188,000.00	\$ 188,750.00	\$ 188,577.83	\$ 172.17	\$	
Other Expenses	86,500.00	79,000.00	64,588.73	1,881.25		
Mayor and Council:						
Salaries and Wages	4,000.00	4,000.00	4,000.00	540.00		
Other Expenses	1,225.00	1,225.00	685.00			
Township Council:						
Salaries and Wages	21,000.00	21,000.00	21,000.00	92.72		
Other Expenses	3,200.00	1,200.00	994.00	113.28		
Municipal Clerk:						
Salaries and Wages	138,000.00	138,000.00	137,238.47	761.53		
Other Expenses	63,500.00	53,500.00	41,548.42	8,084.18		
Financial Administration:						
Salaries and Wages	185,000.00	153,000.00	151,705.76	1,294.24		
Other Expenses	30,000.00	20,000.00	14,315.08	5,230.82		
Annual Audit	50,000.00	50,000.00		50,000.00		
Tax Collection:						
Salaries and Wages	67,500.00	67,500.00	66,675.52	824.48		
Other Expenses	4,850.00	4,850.00	3,872.09	877.91		
Assessment of Taxes:						
Salaries and Wages	52,000.00	48,000.00	45,562.12	2,437.88		
Other Expenses	30,825.00	30,825.00	20,939.11	7,371.89		
Legal Services and Costs:						
Other Expenses	225,000.00	205,000.00	175,634.18	26,236.52		
Municipal Court:						
Salaries and Wages	27,000.00	27,000.00	26,343.84	656.16		
Other Expenses	97,000.00	99,650.00	99,643.03	6.97		
Engineering Services and Costs:						
Salaries and Wages	319,000.00	276,000.00	273,082.51	2,917.49		
Other Expenses	23,850.00	47,850.00	33,028.43	14,806.57		

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	
APPROPRIATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Planning Board:						
Other Expenses	\$ 75,800.00	\$ 112,800.00	\$ 110,798.64	\$ 300.00	\$ 1,701.36	\$
Zoning Board of Adjustment:						
Salaries and Wages	2,000.00	2,000.00	2,000.00		2,786.97	
Other Expenses	10,500.00	8,500.00	5,713.03			
Affordable Housing:						
Other Expenses	100,000.00	135,000.00	125,033.70	63.00	9,903.30	
Insurance:						
General Liability	482,000.00	482,000.00	456,944.63	19,795.39	5,259.98	
Group Health	2,737,104.00	2,737,104.00	2,475,056.83	776.18	261,270.99	
Health Benefit Waiver	60,000.00	60,000.00	60,000.00			
	<u>5,084,854.00</u>	<u>5,053,754.00</u>	<u>4,604,980.95</u>	<u>43,657.67</u>	<u>405,115.38</u>	
PUBLIC SAFETY						
Fire Prevention:						
Fire Official:						
Salaries and Wages	32,000.00	27,000.00	25,000.83		1,999.17	
Other Expenses	7,300.00	7,300.00	2,532.65	548.73	4,218.62	
Fire:						
Salaries and Wages	5,000.00	1,000.00	125.07		874.93	
Other Expenses	140,000.00	140,000.00	101,612.17	30,072.80	8,315.03	
Fire Hydrant Services	195,000.00	181,000.00	134,417.40		46,582.60	
Police:						
Salaries and Wages	3,318,000.00	3,302,000.00	3,255,986.80	17,528.54	46,013.20	
Other Expenses	190,000.00	170,000.00	115,766.18		36,705.28	
Traffic Control Schools:						
Salaries and Wages	120,000.00	109,000.00	102,976.50		6,023.50	
Other Expenses	5,000.00	5,000.00	3,263.81		1,736.19	
Municipal Prosecutor:						
Salaries and Wages	15,750.00	15,750.00	15,524.88		225.12	
Emergency Management:						
Salaries and Wages	7,000.00	7,675.00	7,666.72		8.28	
Other Expenses	4,000.00	3,325.00	2,000.00	100.00	1,225.00	
Public Defender:						
Salaries and Wages	7,250.00	7,250.00	7,037.76		212.24	
Aid to Volunteer Ambulance:						
Other Expenses	5,000.00	5,000.00	5,000.00			
	<u>4,051,300.00</u>	<u>3,981,300.00</u>	<u>3,778,910.77</u>	<u>48,250.07</u>	<u>154,139.16</u>	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-3
Sheet #3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

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	\$ 550,000.00	\$ 516,500.00	\$ 510,525.83	\$ 5,974.17	\$ 5,974.17	\$
Other Expenses	80,000.00	78,000.00	71,289.64	3,395.67	3,314.69	
Sanitation:						
Solid Waste Collection:						
Other	310,000.00	270,000.00	256,506.05	13,493.95		
Maintenance of Sewer Plant:						
Salaries and Wages	543,000.00	526,000.00	521,129.33	4,870.67	4,870.67	
Other Expenses	457,400.00	514,400.00	504,085.90	10,225.53	88.57	
Public Buildings and Grounds:						
Salaries and Wages	136,000.00	136,500.00	134,569.49	1,930.51	154.72	
Other Expenses	70,500.00	73,000.00	66,964.13	5,881.15		
Snow Removal:						
Salaries and Wages	90,000.00	98,825.00	42,404.71	56,420.29	470.41	
Other Expenses	105,000.00	105,000.00	64,320.90	40,208.69		
Maintenance of Vehicles:						
Salaries and Wages	95,000.00	96,750.00	96,291.16	458.84		
Other Expenses	134,500.00	94,500.00	42,560.57	51,569.36	370.07	
	<u>2,571,400.00</u>	<u>2,509,475.00</u>	<u>2,310,647.71</u>	<u>124,774.35</u>	<u>74,052.94</u>	
HEALTH AND WELFARE						
Public Health Services:						
Salaries and Wages	4,000.00	4,000.00	4,000.00		41,821.46	
Other Expenses	79,000.00	79,000.00	37,178.54			
Environmental Commission:						
Other Expenses	1,650.00	1,650.00	716.86	2.69	930.45	
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>44,895.40</u>	<u>1,002.69</u>	<u>42,751.91</u>	
RECREATION AND EDUCATION						
Board of Recreation Commissioners:						
Salaries and Wages	129,000.00	129,000.00	126,380.06		2,619.94	
Other Expenses	31,500.00	31,500.00	25,529.24	638.60	5,332.16	
Community on Cable	22,500.00	10,500.00	6,175.98	279.00	4,045.02	
	<u>183,000.00</u>	<u>171,000.00</u>	<u>158,085.28</u>	<u>917.60</u>	<u>11,997.12</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>						
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES						
Construction Code Officials:						
Salaries and Wages	\$ 300,000.00	\$ 303,500.00	\$ 300,881.34	\$ 2,618.66	\$	
Other Expenses	50,500.00	35,500.00	19,557.70	3,478.88	12,463.42	
	<u>350,500.00</u>	<u>339,000.00</u>	<u>320,439.04</u>	<u>3,478.88</u>	<u>15,082.08</u>	
<u>UNCLASSIFIED</u>						
Utilities:						
Telephone	110,000.00	110,000.00	92,407.78	9,516.84	8,075.38	
Street Lighting	130,000.00	130,000.00	111,781.60	1,104.60	17,113.80	
Salary Adjustment	15,000.00					
Postage	14,000.00	14,000.00	13,000.00		1,000.00	
Accumulated Absence	10,000.00	10,000.00	10,000.00			
Electricity	335,000.00	312,000.00	266,341.99	286.88	45,371.13	
Water	29,000.00	29,000.00	25,355.38	822.47	2,822.15	
Gasoline	168,000.00	140,775.00	99,678.56	3,076.75	38,019.69	
Gas (Natural or Propane)	90,000.00	90,000.00	72,876.22	4,588.69	12,535.09	
Condominium Service Law	30,000.00	15,000.00	14,142.24	660.24	197.52	
	<u>931,000.00</u>	<u>850,775.00</u>	<u>705,583.77</u>	<u>20,056.47</u>	<u>125,134.76</u>	
Total Operations	13,260,704.00	12,993,954.00	11,923,542.92	242,137.73	828,273.35	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
Contributions to:						
Public Employees' Retirement System	361,133.00	361,133.00	361,133.00			
Social Security	560,440.00	560,440.00	542,380.40		18,059.60	
Police and Firemen's Retirement System	750,435.00	750,435.00	750,435.00			
Unemployment Compensation Insurance	15,000.00	15,000.00	15,000.00			
Defined Contribution Pension Plan	4,500.00	4,500.00	4,380.69		119.31	
	<u>1,691,508.00</u>	<u>1,691,508.00</u>	<u>1,673,329.09</u>		<u>18,178.91</u>	
Total Appropriations Within "CAPS"	14,952,212.00	14,685,462.00	13,596,872.01	242,137.73	846,452.26	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #5

<u>Appropriation</u>	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Reserved</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Modified Budget</u>		<u>Encumbered</u>	<u>Unencumbered</u>	
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>OTHER OPERATIONS</u>						
Maintenance of Free Public Library	\$ 1,114,311.00	\$ 1,114,311.00	\$ 973,229.89		\$ 141,081.11	\$
Other Sewer	160,000.00	145,000.00	144,014.14		985.86	
Tax Appeals	105,000.00	316,900.00	310,225.57	0.01	6,674.42	
	<u>1,379,311.00</u>	<u>1,576,211.00</u>	<u>1,427,469.60</u>	<u>0.01</u>	<u>148,741.39</u>	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET</u>						
<u>BY REVENUES</u>						
Alcohol Education and Rehabilitation	2,123.22	2,123.22	2,123.22			
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	2,585.16	2,585.16	2,585.16			
Forestry Services	25,000.00	25,000.00	25,000.00			
Forestry Services - Unappropriated	3,000.00	3,000.00	3,000.00			
Union County Infrastructure Grant	50,000.00	50,000.00	50,000.00			
	<u>100,362.38</u>	<u>100,362.38</u>	<u>100,362.38</u>			
Total Operations	<u>1,479,673.38</u>	<u>1,676,573.38</u>	<u>1,527,831.98</u>	<u>0.01</u>	<u>148,741.39</u>	
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	255,750.00	255,750.00	255,750.00			
	<u>255,750.00</u>	<u>255,750.00</u>	<u>255,750.00</u>			
<u>DEBT SERVICE</u>						
Payment of Bond Principal	745,000.00	745,000.00	745,000.00			0.39
Interest on Bonds	139,700.00	168,719.00	168,718.61			

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	\$ 178,100.00	\$ 239,416.00	\$ 239,416.00			\$ 0.89
N.J. Environmental Infrastructure Trust: Principal and Interest	111,965.00	130,479.11	130,479.11			474.16
	592,725.00	553,725.00	553,250.84			475.44
	1,767,490.00	1,837,340.00	1,836,864.56			475.44
Total Appropriations Excluded from "CAPS"	3,502,913.38	3,769,663.38	3,620,446.54	0.01	148,741.39	475.44
Sub-Total	18,455,125.38	18,455,125.38	17,217,318.55	242,137.74	995,193.65	475.44
Reserve for Uncollected Taxes	700,000.00	700,000.00	700,000.00			
Total Appropriations	\$19,155,125.38	\$19,155,125.38	\$17,917,318.55	\$242,137.74	\$995,193.65	\$475.44
			Below	A	A	Below
Reference						
Adopted Budget		\$19,128,002.16				
Appropriations by 40A:4-87		27,123.22				
Reserve for Uncollected Taxes		(700,000.00)	700,000.00			
Cancelled		(475.44)				
Cash Expenditures			17,116,956.17			
Reserve for Federal and State Grants			96,831.38			
Interfund			3,531.00			
		\$18,454,649.94	\$17,917,318.55			
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, 2017</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
<u>Animal Control Fund</u>			
Cash	B-1	\$ 64,514.48	\$ 61,606.07
<u>Other Funds</u>			
Cash	B-1	7,529,834.30	6,556,603.16
Interfunds	B-3	21,089.10	21,089.10
		<u>7,529,834.30</u>	<u>6,577,692.26</u>
		<u>\$7,594,348.78</u>	<u>\$6,639,298.33</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-2	\$ 63,864.48	\$ 59,917.07
Prepaid Revenue	B-12	650.00	1,689.00
		<u>64,514.48</u>	<u>61,606.07</u>
<u>Other Funds</u>			
Interfunds	B-3	40,611.01	
Reserve for Payroll Deductions	B-4	6,741.18	58,814.07
Net Payroll	B-6	9,043.94	10,336.50
Various Reserves and Deposits	B-7	5,666,278.09	5,323,314.75
Reserve for Affordable Housing Deposit	B-8	1,557,620.11	819,641.26
Reserve for Unemployment Compensation Insurance	B-9	113,539.97	102,684.78
Reserve for Recreation Expenditures	B-10	99,199.60	179,272.77
Reserve for Equitable Sharing	B-11	32,152.97	78,980.70
Due to State of New Jersey	B-13	4,647.43	4,647.43
		<u>7,529,834.30</u>	<u>6,577,692.26</u>
		<u>\$7,594,348.78</u>	<u>\$6,639,298.33</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</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Cash	C-2	\$ 3,146,616.60	\$ 1,085,629.96
Interfunds Receivable	C-4	137,751.25	25,781.65
Deferred Charges to Future Taxation:			
Funded	C-5	9,165,483.54	10,368,112.34
Unfunded	C-6	42,729,832.27	10,327,248.27
State Aid Receivable	C-9	250,000.00	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	<u>13,540.12</u>	<u> </u>
		<u>\$ 56,006,626.30</u>	<u>\$ 22,620,174.74</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Surplus	C-1	\$ 114,949.60	\$
Interfunds Payable	C-4	138,786.06	
Capital Improvement Fund	C-7	142,004.80	84,704.80
Improvement Authorizations:			
Funded	C-8	306,619.30	284,320.50
Unfunded	C-8	30,426,749.00	4,418,587.10
General Serial Bonds	C-10	4,645,000.00	5,390,000.00
New Jersey Environmental Infrastructure Loan Payable	C-11	4,520,483.54	4,978,112.34
Bond Anticipation Notes	C-12	15,703,534.00	7,455,950.00
Reserve for Senior Citizens' Bus	C-13	<u>8,500.00</u>	<u>8,500.00</u>
		<u>\$ 56,006,626.30</u>	<u>\$ 22,620,174.74</u>
 Bonds and Notes Authorized but Not Issued	C-16	<u>\$ 27,026,298.27</u>	<u>\$ 2,871,298.27</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, 2017</u>	Balance <u>Dec. 31, 2016</u>
Land and Buildings	\$ 39,658,500.00	\$ 39,658,500.00
Vehicles, Machinery and Equipment	<u>9,814,146.00</u>	<u>9,167,365.00</u>
	<u>\$ 49,472,646.00</u>	<u>\$ 48,825,865.00</u>
 <u>RESERVE</u>		
Investment in Capital Assets	<u>\$ 49,472,646.00</u>	<u>\$ 48,825,865.00</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF BERKELEY HEIGHTS

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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.

Except as noted below, 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.

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".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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

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

Basis of Accounting (Continued)

Appropriation Reserves

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

Compensated Absences

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

Property Acquired for Taxes

Property Acquired for Taxes (Foreclosed Property) is recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the 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.

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.

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)

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 June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In March 2016, the Governmental Accounting Standards Board issued GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pensions, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements and is effective for reporting periods beginning after June 15, 2017. 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 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, 2017. 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.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*. The object of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB) and is effective for reporting periods beginning after June 15, 2017. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The object of this Statement is to improve consistency in accounting and financial reporting for in substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance and is effective for reporting periods beginning after June 15, 2017. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

As of December 31, 2017 and 2016, the Township's cash, cash equivalents and investments consisted of:

	<u>2017</u>	<u>2016</u>
TD Bank - Checking Accounts	<u>\$ 21,675,529.21</u>	<u>\$ 11,133,190.19</u>

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Cash and Cash Equivalents (Continued)

The carrying amount of the Township's cash, cash equivalents and investments at December 31, 2017 was \$21,675,529.21. Of the bank balance \$250,000.00 was covered by Federal Depository Insurance and \$21,425,529.21 was covered by the Governmental Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the Federal deposit maximums.

During the year, the Township had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2017 and 2016, no such investments were held by the Township.

As of December 31, 2017 and 2016, the Township had no investments.

B. Investments

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

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

C. Risk Category

As of December 31, 2017, the Township had funds invested and on deposit in checking accounts. The amount of the Township's cash on deposit as of December 31, 2017 was \$21,675,529.21. 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.

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.

3. MUNICIPAL DEBT (Continued)

Long-Term Debt

As of December 31, 2017, the Township's long-term debt is as follows:

General Serial Bonds

\$7,604,000.00, 2009 Bonds due in annual installments of \$460,000.00 through December, 2018 at interest rate at 2.750%.	\$ 460,000.00
\$4,775,000.00, 2016 Refunding Bond due in annual installments of \$280,000.00 to \$440,000.00 through December, 2027 at interest rates between 3.000% and 4.000%.	<u>4,185,000.00</u>
	<u>\$4,645,000.00</u>

Environmental Infrastructure Loans

\$980,000.00, 2001 Loan due in annual remaining installments of \$70,000.00 to \$80,000.00 through August, 2021 at interest rates between 4.75% and 5.00%.	\$ 290,000.00
\$1,000,000.00, 2001 Interest Free Loan due in annual remaining installments of between \$51,152.52 and \$54,183.53 through August, 2021.	210,873.99
\$290,000.00, 2004 Loan due in annual remaining installments of \$20,000.00 and \$25,000.00 through August, 2024 at interest rates between 4.25% and 5.00%.	140,000.00
\$294,120.00, 2004 Interest Free Loan due in annual remaining installments of between \$13,953.53 and \$16,783.69 through August, 2024.	107,741.03
\$2,190,000.00, 2007 Loan due in annual remaining installments of \$115,000.00 and \$175,000.00 through August, 2027 at interest rates between 4.00% and 5.00%.	1,425,000.00
\$2,030,000.00, 2007 Interest Free Loan due in annual remaining installments of between \$111,708.87 and \$114,317.33 through August, 2027.	1,127,506.33
\$905,000.00, 2009 Loan due in annual remaining installments of \$45,000.00 and \$65,000.00 through August, 2029 at interest rates between 3.50% and 5.00%.	650,000.00
\$901,490.00, 2009 Interest Free Loan due in annual remaining installments of \$47,446.83 through August, 2029.	<u>569,362.19</u>
	<u>\$4,520,483.54</u>

3. MUNICIPAL DEBT (Continued)

Bonds and Notes Authorized but Not Issued

At December 31, 2017, the Township has authorized but not issued bonds and notes as follows:

General Capital Fund \$27,026,298.27

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding December 31, 2017

Year	General Capital		Total
	Principal	Interest	
2018	\$ 740,000.00	\$122,500.00	\$ 862,500.00
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>\$4,645,000.00</u>	<u>\$683,950.00</u>	<u>\$5,328,950.00</u>

Schedule of Annual Debt for Infrastructure Loan Payable

Year	Principal	Interest	Total
2018	\$ 464,731.72	\$110,893.76	\$ 575,625.48
2019	483,127.00	98,893.76	582,020.76
2020	493,578.88	87,793.76	581,372.64
2021	508,865.29	76,431.26	585,296.55
2022	386,231.70	63,131.26	449,362.96
2023	394,335.27	53,381.26	447,716.53
2024	406,276.19	44,168.76	450,444.95
2025	376,528.99	34,125.00	410,653.99
2026	385,150.45	24,862.50	410,012.95
2027	396,764.16	15,037.50	411,801.66
2028	112,446.83	5,200.00	117,646.83
2029	112,447.06	2,600.00	115,047.06
	<u>\$4,520,483.54</u>	<u>\$616,518.82</u>	<u>\$5,137,002.36</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	10/04/18	2.25%	\$ 10,803,534.00
	10/04/18	1.57	<u>4,900,000.00</u>
			<u>\$ 15,703,534.00</u>

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

4. FUND BALANCES APPROPRIATED

Fund balance at December 31, 2017, 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:	2017	\$ 2,010,818.26	\$ 815,000.00
	2016	1,554,403.68	750,000.00
	2015	1,268,862.63	775,000.00

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>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>\$4.040</u>	<u>\$3.969</u>	<u>\$3.947</u>
Apportionment of Tax Rate:			
Municipal	\$0.702	\$0.699	\$0.691
Municipal Library	0.062	0.060	0.059
County*	1.002	0.976	0.961
School	2.274	2.234	2.236

*Including County Vocational School

Assessed Valuations

<u>Year</u>	<u>Amount</u>
2017	\$ 1,819,904,849.00
2016	1,812,644,964.00
2015	1,770,463,500.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2017	\$73,761,709.70	\$73,212,837.98	99.25%
2016	72,168,809.32	71,549,686.31	99.14
2015	70,439,520.48	69,737,039.03	99.00

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>
2017	\$ 311,154.51	\$ 91,632.73	\$ 402,787.24	.55%
2016	421,307.24	84,340.53	505,647.77	.70
2015	498,570.71	77,176.48	575,747.19	.80

6. SEWER BILLINGS AND COLLECTION

<u>Year</u>	<u>Billing</u>	<u>Sewer Collections</u>
2017	\$ 355,038.23	\$ 362,428.74
2016	282,159.34	266,333.34
2015	295,987.64	417,771.54

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/annrprts.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>2017</u>	<u>2016</u>	<u>2015</u>
Covered Employee Payroll	\$ 2,797,204	\$ 2,793,203	\$ 2,621,279
Total Payroll	8,216,904	8,072,350	7,983,662
Actuarial Contribution			
Requirements	371,565	359,573	347,771
Total Contributions	565,321	543,435	529,550
Employer Share	371,565	359,573	347,771
% of Covered Payroll	13.28%	12.87%	13.27%
Employee's Share	193,756	183,862	181,779
% of Covered Payroll	6.93%	6.58%	6.93%

7. PENSION PLANS (Continued)

Description of Systems (Continued)

	2017	PFRS 2016	2015
Covered Employee Payroll	\$ 2,774,727	\$ 2,657,618	\$ 2,712,229
Total Payroll	8,216,904	8,072,350	7,983,662
Actuarial Contribution			
Requirements	718,837	711,549	709,764
Total Contributions	996,216	977,343	980,436
Employer Share	718,837	711,549	709,764
% of Covered Payroll	25.91%	26.77%	26.17%
Employee's Share	2,777,379	265,794	270,672
% of Covered Payroll	10.00%	10.00%	9.98%

Assumptions

The total PERS and PFRS pension liability for June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 using an actuarial experience study for the period July 1, 2011 to June 30, 2014. The pension liability was rolled forward to June 30, 2017. 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 plan actuary's modified MP-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 and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

7. PENSION PLANS (Continued)

Description of Systems (Continued)

Assumptions (Continued)

The discount rate used to measure the total pension liability was 5.00% for PERS and 6.14% for PFRS as of June 30, 2016. 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 3.58% as of June 30, 2017 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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)

The following presents the Township's proportionate share of the Collective PERS net pension liability calculated using the discount rate of 5.00% and 3.98% as of June 30, 2017 and 2016, 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**

	<u>At 1% Decrease (4.00%)</u>	<u>At Current Discount Rate (5.00%)</u>	<u>At 1% Increase (6.00%)</u>
2017	<u>\$ 11,582,789</u>	<u>\$ 9,336,683</u>	<u>\$ 7,465,398</u>
	<u>At 1% Decrease (2.98%)</u>	<u>At Current Discount Rate (3.98%)</u>	<u>At 1% Increase (4.98%)</u>
2016	<u>\$ 14,689,278</u>	<u>\$ 11,987,497</u>	<u>\$ 9,756,942</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 6.14% and 5.55% as of June 30, 2017 and 2016, 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>(5.14%)</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>
	At 1% Decrease <u>(4.55%)</u>	At Current Discount Rate <u>(5.55%)</u>	At 1% Increase <u>(6.55%)</u>
2016	<u>\$ 23,313,669</u>	<u>\$ 18,070,768</u>	<u>\$ 13,813,433</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>2017</u>	<u>2016</u>
Employer Net Pension Liability	\$ 12,539,234.00	\$ 16,670,832.00
Nonemployer Proportional Share of the Net Pension Liability	<u>1,404,500.00</u>	<u>1,399,936.00</u>
	<u>\$ 13,943,734.00</u>	<u>\$ 18,070,768.00</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, 2017 and 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2017 and 2016, 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, 2017:

	<u>PERS</u>	<u>PFRS</u>
Net Pension Liabilities	\$ 9,336,683	\$ 13,943,734
Deferred Outflow of Resources	2,368,193	2,086,161
Deferred Inflow of Resources	2,196,849	2,888,362
Pension Expense	260,261	360,579
Contributions Made After Measurement Date	371,565	718,837

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, 2017 and 2016. The Township's proportionate share of the collective net pension liability as of June 30, 2017 and 2016 was 0.0401087793% and 0.0404748742% for PERS and 0.0812228258% and 0.0872701551% 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, 2017, the amount determined as the Township's proportionate share of the PERS net pension liability was \$9,336,683. For the year ended June 30, 2017, the Township would have recognized PERS pension expense of \$260,261. At June 30, 2017, 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	\$ 219,847	\$
Change of Assumptions	1,881,020	1,874,124
Net Difference Between Projected and Actual Investment Earnings	63,577	
Net Change in Proportions	203,749	322,725
Total Contributions and Proportionate Share of Contributions After the Measurement Date	<u>371,565</u>	
	<u>\$ 2,739,758</u>	<u>\$ 2,196,849</u>

At June 30, 2017, the amount determined as the Township's proportionate share of the PFRS net pension liability was \$13,943,734. For the year ended June 30, 2017, the Township would have recognized PFRS pension expense of \$360,579. At June 30, 2017, 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	\$ 81,347	\$ 73,595
Change of Assumptions	1,546,227	2,053,560
Net Difference Between Projected and Actual Investment Earnings	239,278	
Net Change in Proportions	219,309	761,207
Total Contributions and Proportionate Share of Contributions After the Measurement Date	<u>718,837</u>	
	<u>\$ 2,804,998</u>	<u>\$ 2,888,362</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, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
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 7.34% as of July 1, 2017 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>
2017	\$ 361,133.00	\$ 193,756.00	\$ 750,435.00	\$ 277,379.00
2016	359,573.00	183,862.00	711,549.00	265,794.00
2015	347,771.00	181,779.00	709,764.00	270,672.00

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 PFRS 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>
2017	\$ 7,101.40	\$ 4,380.69
2016	9,932.61	3,827.88

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>
2017	\$ 15,000.00	\$ 4,144.81	\$ 113,539.97
2016	15,000.00	9,401.01	102,684.78
2015	15,000.00	14,632.53	97,085.79

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

The following interfund balances remained on the balance sheet at December 31, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 5,245.73	\$ 649,224.54
Grant Fund	685,624.63	
Trust Other Fund		40,611.01
General Capital Fund	<u>137,751.25</u>	<u>138,786.06</u>
	<u>\$ 828,621.61</u>	<u>\$ 828,621.61</u>

Interfunds

The balance sheets of the various funds as of December 31, 2017 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, 2017 are as follows:

	<u>Balance Dec. 31, 2017</u>	<u>Required for 2018 Budget</u>
General Capital Fund:		
Overexpenditure of Improvement Authorization	<u>\$ 13,540.12</u>	<u>\$ 13,540.12</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

- Actuarial Accrued Liability

The Actuarial Accrued Liability ("AAL") as of December 31, 2017 is \$31,124,000 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2017.

- Annual Required Contribution

The Annual Required Contribution ("ARC") is the measure of annual cost on an accrual basis. It is comprised of the "Normal Cost" which is the portion of future liabilities attributable to the measurement year, plus 30 year amortization of the Unfunded Actuarial Accrued Liability ("UAAL"). As of the measurement date, the plan had no assets to offset any portion of the AAL, so the UAAL and AAL are equal.

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

• **Annual Required Contribution (Continued)**

The ARC as of December 31, 2017 is \$2,455,000 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2017. The breakdown of the ARC is as follows:

(1) Normal Cost	\$ 603,000
(2) Actuarial Accrued Liability	31,124,000
(3) Assets	-
(4) UAAL = (2) - (3)	31,124,000
(5) 30 Year Amortization of UAAL at Discount Rate	1,852,000
(6) ARC = (1) + (5)	2,455,000

This valuation has been conducted as of December 31, 2017 based upon census, plan design and claims information provided by the Fund. Census includes 46 participants currently receiving retiree benefits, and 28 active participants of whom 3 are eligible to retire as of the valuation date. The average age of the active population is 44.2 and the average age of the retiree population is 72.8.

The actuarial assumptions used to value the post-retirement medical liabilities can be categorized into three groups:

- Economic Assumptions - the discount rate and health care cost trend rates.
- Benefit Assumptions - the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.
- Demographic Assumptions - including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participating rates) and coverage levels.

In accordance with Local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, we used demographic and health care assumptions consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2016 Actuarial Valuation to value the GASB obligations.

Economic Assumptions

The two primary economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Discount Rate

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded. We assumed a discount rate of 4.5 percent for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded.

Salary Increases

3.0% per year.

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

• **Annual Required Contribution (Continued)**

Social Security Taxable Wage Base Increases

3.0% per year.

Consumer Price Index Increases

2.5% per year.

Health Care Cost Trend Rates

<u>Year</u>	<u>Medical - Pre 65</u>	<u>Medical - Post 65</u>	<u>Prescription Drug</u>
2018	5.75%	4.5%	9.75%
2019	5.65%	4.5%	9.25%
2020	5.55%	4.5%	8.75%
2021	5.45%	4.5%	8.25%
2022	5.35%	4.5%	7.50%
2023	5.25%	4.5%	6.50%
2024	5.15%	4.5%	5.50%
2025	5.05%	4.5%	5.00%
2026+	5.00%	4.5%	5.00%

Age Specific Per Capita Claims Cost

2018 annual rates for medical and prescription drugs are as follows:

<u>Age</u>	<u>Medical</u>		<u>Prescription Drug</u>	
	<u>Retiree</u>	<u>Dependent</u>	<u>Retiree</u>	<u>Dependent</u>
Under 65	\$ 12,528	\$ 16,164	\$ 3,252	\$ 4,056
65+	7,488	7,488	4,668	4,668

Demographic Assumptions

Mortality Rates

Pre-Retirement: RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2017.

Post-Retirement: RP-2014 Headcount-Weighted Healthy Annuitant Male/Female Mortality Projected with Scale MP-2017.

Disabled: RP-2014 Headcount-Weighted Disabled Retiree Male/Female Mortality Projected with Scale MP-2017.

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

• Annual Required Contribution (Continued)

Retirement Rates

Police Officers with 25 or more years of service are assumed to retire according to the following rates that vary by age and service:

<u>Age</u>	<u>25</u>	<u>>25</u>	<u>Age</u>	<u>25</u>	<u>>25</u>
45	0.5483	0.1540	55	0.6494	0.2447
46	0.5483	0.1540	56	0.7173	0.2447
47	0.5483	0.1540	57	0.7749	0.2447
48	0.5762	0.1848	58	0.7749	0.2447
49	0.5762	0.1848	59	0.7749	0.2734
50	0.5762	0.1848	60	0.7749	0.2734
51	0.5762	0.1848	61	0.8524	0.3189
52	0.5762	0.1848	62	0.8524	0.3189
53	0.6111	0.2185	63	0.8524	0.3189
54	0.6111	0.2447	64	0.8524	0.5103

100% of Police Officers are assumed to retire at age 65 (which is mandated under New Jersey State Law), regardless of service.

Turnover Rates

Turnover rates vary for police by age and service. Illustrative annual rates are shown below:

<u>Age</u>	<u>Years of Service</u>				
	<u>2</u>	<u>4</u>	<u>10-19</u>	<u>20</u>	<u>21+</u>
30	0.0275	0.0131	0.0024	0.0000	0.0000
35	0.0317	0.0157	0.0024	0.0000	0.0000
40	0.0225	0.0174	0.0027	0.0400	0.0060
45	0.0225	0.0232	0.0028	0.0400	0.0060
50	0.0225	0.0200	0.0030	0.0430	0.0060
55	0.0600	0.0600	0.0600	0.0600	0.0000
60	0.0320	0.0320	0.0320	0.0320	0.0000
65	-	-	-	-	-

Disability Rates

Disability rates for police vary by age. Illustrative annual rates are shown below:

<u>Age</u>	<u>Ordinary</u>	<u>Accidental</u>
30	.00147	.00278
35	.00265	.00393
40	.00362	.00423
45	.00394	.00396
50	.00449	.00179
55	.00554	.00161
60	.01024	.00161
65	-	-
70	-	-

13. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

• Annual Required Contribution (Continued)

- Per Capita Cost Methods - The valuation reflects per capita net premium costs based on actual 2017 medical and prescription drug and dental husband and spouse 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 (44) 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 combined medical/prescription drug costs. 2017 employer contributions for retiree benefits as reported by the Fund are \$981,000.
- Retiree Contributions - NJ 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, we have assumed that future retiree contribution percentages will be equal to the minimum percentage of premium so as not to understate actuarial measurements. Assumed percentages as follows: retiree only 4.5%, retiree and spouse 3.5%, family 3.0%. Based on retiree data, 55% of future retirees are assumed to be married and 45% are assumed to be single.
- Actuarial Valuation Method - Projected Unit Credit Funding Method.

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 \$651,023.95. 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, 2017. 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 2017. 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.

14. CONTINGENT LIABILITIES (Continued)

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, 2017 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.

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 June 25, 2018. No items were determined to require disclosure.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

A-4

	<u>Ref.</u>	<u>Regular Fund</u>	<u>Grant Fund</u>
Balance December 31, 2016	A	\$ 3,429,351.00	\$
Increased by Receipts:			
Miscellaneous Revenue Not			
Anticipated	A-2a	\$ 278,817.00	\$
Petty Cash	A-9	200.00	
Accounts Payable	A-5	1.00	
Due from State of New Jersey			
per Ch. 20, P.L. 1971	A-10	88,659.66	
Taxes Receivable	A-11	73,291,155.30	
Revenue Accounts Receivable	A-12	3,979,225.12	
Prepaid Taxes	A-16	6,839,247.67	
Tax Overpayments	A-17	82,061.97	
Sewer User Charges Receivable	A-18	362,428.74	
Interfunds - Grant Fund	A-19		190,933.46
Interfunds Receivable	A-22	1,438,223.96	
Due to State of New Jersey	A-25	<u>18,904.00</u>	
		<u>86,378,924.42</u>	<u>190,933.46</u>
		89,808,275.42	190,933.46
Decreased by Disbursements:			
2017 Budget Appropriations	A-3	17,116,956.17	
Petty Cash	A-9	200.00	
Appropriation Reserves	A-13	726,759.05	
Refund of Tax Overpayments	A-17	74,513.58	
Interfunds - Grant Fund	A-19		190,933.46
County Taxes	A-20	18,295,228.84	
Local School District Taxes	A-21	41,382,058.00	
Interfunds Payable	A-22	1,255,287.95	
Due to State of New Jersey	A-25	<u>22,708.00</u>	
		<u>78,873,711.59</u>	<u>190,933.46</u>
Balance December 31, 2017	A	<u><u>\$ 10,934,563.83</u></u>	<u><u>\$ -</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

ACCOUNTS PAYABLE - CURRENT FUND

A-5

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 68,135.12
Increased by:		
Refund of Prior Year Overpayments	A-4	<u>1.00</u>
Balance December 31, 2017	A	<u>\$ 68,136.12</u>

TAX TITLE LIENS

A-6

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 84,340.53
Increased by:		
Transfers from Taxes Receivable	A-11	<u>7,292.20</u>
Balance December 31, 2017	A	<u>\$ 91,632.73</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

SEWER OVERPAYMENTS

A-7

	<u>Ref.</u>	
Balance December 31, 2016	A	<u>\$ 55,128.83</u>
Balance December 31, 2017	A	<u><u>\$ 55,128.83</u></u>

CHANGE FUND

A-8

	<u>Ref.</u>	
Balance December 31, 2016	A	<u>\$ 400.00</u>
Balance December 31, 2017	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 20, P.L. 1971

A-10

	<u>Ref.</u>		
Balance December 31, 2016	A		\$ 5,834.33
Decreased by:			
Veterans' Deductions per Tax Duplicate	Below	\$ 88,000.00	
Senior Citizens' Deductions Allowed by Tax Collector	Below	<u>1,750.00</u>	
			<u>89,750.00</u>
			<u>95,584.33</u>
Increased by:			
Received Cash from State	A-4	88,659.66	
Senior Citizens' Deductions Disallowed by Tax Collector	Below	<u>1,435.54</u>	
			<u>90,095.20</u>
Balance December 31, 2017	A		<u>\$ 5,489.13</u>
<u>Calculation of State Share of 2017 Senior Citizens'</u>			
<u>and Veterans' Deductions Allowed by Collector</u>			
Senior Citizens' Deductions per Tax Billings	Above	\$ 88,000.00	
Senior Citizens' Deductions Allowed by Tax Collector	Above	<u>1,750.00</u>	
			\$ 89,750.00
Less: Senior Citizens' Deductions Disallowed by Tax Collector	Above		<u>1,435.54</u>
	A-11		<u>\$ 88,314.46</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

A-11

Year	Balance		Collected		Due from State of New Jersey	Overpayments Applied	Transferred to Tax Title Lien	Cancelled	Balance Dec. 31, 2017
	Dec. 31, 2016	2017 Lev	2016	2017					
2016	\$ 421,307.24	\$ 73,761,709.70	\$ 248,886.96	\$ 420,483.66	\$ 88,314.46	\$ 0.33	\$ 823.25	\$ 311,154.51	
2017	\$ 421,307.24	\$ 73,761,709.70	\$ 248,886.96	\$ 72,870,671.64	\$ 88,314.46	4,964.92	230,425.01	311,154.51	
Reference	A	Below	A-2a.16	A-2.2a.4	A-2a.10	A-2.2a.17	Reserve	A	

ANALYSIS OF PROPERTY TAX LEVY

	Ref.	Ref.
<u>Tax Yield</u>		
General Property Tax	\$ 73,485,803.01	
Business Personal Tax - Utilities	38,352.89	
Added Taxes	237,553.80	
		\$ 18,239,974.75
		58,907.66
		\$ 18,298,882.41
		41,382,086.00
		12,777,142.00
		1,114,311.00
		189,288.29
		14,080,741.29
		\$ 73,761,709.70
	Above	Above

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

REVENUE ACCOUNTS RECEIVABLE

A-12

		<u>Balance</u>		<u>2017</u>	<u>Balance</u>
	<u>Ref.</u>	<u>Dec. 31, 2016</u>	<u>Accrued</u>	<u>Collections</u>	<u>Dec. 31, 2017</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 21,036.88	\$ 21,036.88	\$
Other Licenses	A-2		2,106.00	2,106.00	
Other Fees and Permits	A-2a		224,762.69	224,762.69	
Construction Code Official:					
Uniform Construction Code Fees	A-2		415,905.00	415,905.00	
Board of Health:					
Other Fees and Permits	A-2a		29,520.00	29,520.00	
Police Department:					
Other Fees and Permits	A-2a		2,454.19	2,454.19	
Fire Department:					
Other Fees and Permits	A-2a		5,000.00	5,000.00	
Municipal Court:					
Fines and Costs	A-2	6,876.05	151,764.59	148,767.03	9,873.61
Engineering/Planning Board:					
Fees and Permits	A-2a		384,135.61	384,135.61	
Interest and Cost on Taxes	A-2		120,719.12	120,719.12	
Sale of Alcohol Beverage License	A-2		325,000.00	325,000.00	
Recycling Rebate	A-2		17,245.80	17,245.80	
State of New Jersey:					
Energy Receipts Tax	A-2		1,389,483.00	1,389,483.00	
Consolidated Municipal Property					
Tax Relief Aid	A-2		151,108.00	151,108.00	
Uniform Fire Safety Act	A-2		43,634.48	43,634.48	
Cable TV Franchise Fee	A-2		200,576.13	200,576.13	
Library Reimbursement of Cost	A-2		250,000.00	250,000.00	
Board of Education - Fuel Reimbursement	A-2		34,173.97	34,173.97	
Rental of Township Property	A-2		218,597.22	218,597.22	
		<u>\$ 6,876.05</u>	<u>\$3,987,222.68</u>	<u>\$3,984,225.12</u>	<u>\$ 9,873.61</u>
<u>Reference</u>	<u>A</u>		<u>Reserve</u>	<u>Below</u>	<u>A</u>
			<u>Ref.</u>		
		Cash Receipts	A-4	\$3,979,225.12	
		Interfunds	A-22	5,000.00	
			Above	<u>\$3,984,225.12</u>	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-13
Sheet #1

2016 APPROPRIATION RESERVES

Appropriations	Balance Dec. 31, 2016	Unencumbered	Modified	Paid and Committed	Balance Lapsed
	<u>Encumbered</u>	<u>Unencumbered</u>	<u>Modified</u>	<u>Committed</u>	<u>Lapsed</u>
	\$	\$	\$	\$	\$
<u>GENERAL GOVERNMENT</u>					
Mayor:					
Other Expenses		785.00	30.00		30.00
Council:					
Other Expenses	102.79	2,268.21	371.00	102.79	268.21
Municipal Clerk:					
Salaries and Wages		3,069.42	3,069.42		3,069.42
Other Expenses	3,613.20	20,452.25	7,065.45	3,967.75	3,097.70
Financial Administration:					
Salaries and Wages		2,152.16	2,152.16		2,152.16
Other Expenses	1,738.89	405.94	7,902.83	7,902.04	0.79
Annual Audit		200.00	200.00		200.00
Insurance:					
General Liability		554.75	554.75		554.75
Group Insurance Plans for Employees		25,891.14	891.14		891.14
Administrative and Executive:					
Salaries and Wages		1,651.55	22.55		22.55
Other Expenses	4,656.13	1,444.77	8,610.90	7,846.23	764.67
Collector of Taxes:					
Salaries and Wages		1,112.00	1,112.00		1,112.00
Other Expenses	259.84	718.13	977.97	541.84	436.13
Assessor of Taxes:					
Salaries and Wages		1,391.88	1,391.88		1,391.88
Other Expenses	143.60	220.61	6,706.21	6,706.10	0.11
Legal Services and Costs:					
Other Expenses	7,877.69	14,746.09	30,404.78	30,404.41	0.37
Tax Appeals	3,000.00	81.91	11,213.91	8,213.82	3,000.09

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-13
Sheet #2

2016 APPROPRIATION RESERVES

Appropriations	Balance Dec. 31, 2016		Modified	Paid and Committed	Balance Lapsed
	Encumbered	Unencumbered			
<u>GENERAL GOVERNMENT</u>					
Municipal Court:					
Salaries and Wages	\$	1,656.16	\$	1,656.16	\$
Other Expenses		2,285.56		23,978.72	0.84
Engineering Services and Costs:					
Salaries and Wages		7,039.68		1,039.68	1,039.68
Other Expenses	300.00	8,455.38		300.00	1,455.38
Public Defender:					
Salaries and Wages		212.24		212.24	212.24
Affordable Housing:					
Other Expenses	94,497.95	56.28	128,678.23	128,677.35	0.88
Planning Board:					
Other Expenses	860.18	8,168.06	51,993.24	51,993.01	0.23
Zoning Board of Adjustment:					
Other Expenses	708.44	240.05	1,064.49	1,064.47	0.02
<u>PUBLIC SAFETY</u>					
Uniform Fire Safety (P.L. 1983, Ch. 383):					
Fire Prevention:					
Salaries and Wages		1,821.25	1,821.25		1,821.25
Other Expenses	2,321.74	601.07	2,922.81	1,969.26	953.55
Fire:					
Salaries and Wages		5,317.93	5,317.93		5,317.93
Other Expenses	5,437.54	866.20	6,303.74	6,067.54	236.20
Fire Hydrant Services		910.80	15,153.80	15,153.60	0.20
Police:					
Salaries and Wages		19,420.50	420.50		420.50
Other Expenses	30,977.62	32,595.72	36,573.34	31,993.27	4,580.07

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

2016 APPROPRIATION RESERVES

A-13
Sheet #3

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2016</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>					
Traffic Control Schools:					
Salaries and Wages		\$ 3,224.50	\$ 3,224.50	\$ 3,197.41	\$ 3,224.50
Other Expenses	\$ 2,700.49	414.58	3,198.07		0.66
Emergency Management:					
Other Expenses	1,946.58	2,083.30	4,029.88	3,942.58	87.30
Municipal Prosecutor:					
Salaries and Wages		225.12	225.12		225.12
<u>PUBLIC WORKS</u>					
Road Repair and Maintenance:					
Salaries and Wages		8,317.99	8,317.99		8,317.99
Other Expenses	10,092.78	22,292.12	32,384.90	11,593.76	20,791.14
Snow Removal:					
Salaries and Wages		71,342.86	71,342.86		71,342.86
Other Expenses	56,912.00	9,009.48	65,921.48	59,054.03	6,867.45
Sanitation:					
Garbage and Trash Removal:					
Other Expenses:	23,901.55	20,953.74	44,855.29	24,731.44	20,123.85
Collection					
Public Buildings and Grounds:					
Salaries and Wages		2,090.09	2,090.09		2,090.09
Other Expenses	3,261.16	24.01	3,666.17	3,637.29	28.88
Maintenance of Vehicles:					
Salaries and Wages		584.44	584.44		584.44
Other Expenses	13,953.92	23,199.34	22,153.26	13,172.94	8,980.32
Maintenance of Sewer Plant:					
Salaries and Wages		2,916.42	2,916.42		2,916.42
Other Expenses	37,448.51	2,614.71	64,358.22	63,053.13	1,305.09

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-13
Sheet #5

2016 APPROPRIATION RESERVES

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Unencumbered</u>	<u>Modified</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>				
<u>STATUTORY EXPENDITURES</u>					
Contribution to:					
Social Security System (OASI)	\$	27,739.84	\$ 27,739.84	\$	27,739.84
Public Employees' Retirement System		172.12	172.12		172.12
		<u>30,114.27</u>	<u>30,114.27</u>	<u>30,114.27</u>	<u>14,961.06</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Maintenance of Free Public Library		14,961.06	14,961.06		14,961.06
Planning Board (P.L. 1985, Ch. 222):		<u>\$ 611,883.67</u>	<u>\$ 979,552.81</u>	<u>\$ 726,759.05</u>	<u>\$ 252,793.76</u>
Other Sewer					
	<u>\$ 367,669.14</u>				
<u>Reference</u>	<u>A</u>	<u>A</u>		<u>A-4</u>	<u>A-1</u>

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

RESERVE FOR GRANTS - UNAPPROPRIATED

A-14

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Transfers</u>	<u>Collections</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Forestry Management	\$ 3,000.00	\$ 3,000.00	\$	\$
Body Armor Replacement Fund	2,585.16	2,585.16	2,588.97	2,588.97
CDBG - Senior Citizen Center Program			9,211.50	9,211.50
Clean Communities Program			26,291.52	26,291.52
DOT - Park Avenue			130,436.06	130,436.06
Union County Kids Recreation			53,058.87	53,058.87
Recycling Tonnage Program			17,452.05	17,452.05
	<u>\$ 5,585.16</u>	<u>\$ 5,585.16</u>	<u>\$ 239,038.97</u>	<u>\$ 239,038.97</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, 2016</u>	<u>2017 Budget</u> <u>Appropriation</u>	<u>Paid or</u> <u>Charged</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
2006 Kids Recreation	\$ 1,050.00	\$	\$	\$	\$ 1,050.00
Alcohol Education and Rehabilitation	14,498.61	2,123.22	3,940.00		12,681.83
Body Armor Replacement Fund	1,806.89	2,585.16	2,504.70		1,887.35
Business Stimulus Fund Grant	282.54				282.54
Clean Communities Grant	666.92		666.92		
Commerce Downtown Improvements	40,000.00				40,000.00
COPS Secure Our Schools Grant	74,438.33				74,438.33
Department of Transportation - Park Avenue	191,650.00		191,650.00		
Drunk Driving Enforcement	4,922.12		154.35		4,767.77
Environmental Commission	250.00				250.00
FEMA - Assistance to Firefighter	27,258.06		15,800.00		11,458.06
FEMA - Hazard Mitigation Grant	100,000.00		6,000.00		94,000.00
AFG Fire Prevention and Safety Grant	3,052.30				3,052.30
Forestry Management	4,970.00	3,000.00			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				5,254.00
Kids Recreation Trust Grant	911.47		911.47		
Municipal Alliance		14,123.00	13,602.11	520.89	
Municipal Alliance - Local Match		3,531.00	3,528.23	2.77	
Municipal Alliance Waste Water Management Plan Grant	15,000.00				15,000.00
NJ Forest Service Community Forestry Program		25,000.00	12,565.00		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
Recycling Grant	76,297.64				76,297.64
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
Union County Pocket Parks	3,753.45				3,753.45
Union County Recreation Grant - 2009	9,245.06				9,245.06
Union County Senior Focus	85,844.45				85,844.45
	<u>\$ 752,368.72</u>	<u>\$ 100,362.38</u>	<u>\$ 251,322.78</u>	<u>\$ 523.66</u>	<u>\$ 600,884.66</u>

Reference

A

Below

Below

A-19

A

Ref.

2017 Budget Appropriations
Expenditures
Local Match

A-3

\$ 96,831.38

\$

251,322.78

A-19

3,531.00

Above

\$ 100,362.38

\$ 251,322.78

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

PREPAID TAXES

A-16

	<u>Ref.</u>		
Balance December 31, 2016	A		\$ 248,886.96
Increased by:			
Collections	A-4		<u>6,839,247.67</u>
			7,088,134.63
Decreased by:			
Applied	A-11		<u>248,886.96</u>
Balance December 31, 2017	A		<u><u>\$ 6,839,247.67</u></u>

TAX OVERPAYMENTS

A-17

	<u>Ref.</u>		
Balance December 31, 2016	A		\$ 1,182.48
Increased by:			
Operations	A-1	\$10,953.14	
Overpayments	A-4	<u>82,061.97</u>	
			<u>93,015.11</u>
			94,197.59
Decreased by:			
Applied	A-11	4,965.25	
Refunds	A-4	<u>74,513.58</u>	
			<u>79,478.83</u>
Balance December 31, 2017	A		<u><u>\$ 14,718.76</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

SEWER USER CHARGES RECEIVABLE

A-18

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 56,057.70
Increased by:		
2017 Sewer Billings	Reserve	<u>355,038.23</u>
		411,095.93
Decreased by:		
Cash Receipts	A-2,4	<u>362,428.74</u>
Balance December 31, 2017	A	<u><u>\$ 48,667.19</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

GRANT FUND
INTERFUNDS

A-19

	<u>Ref.</u>	<u>Total</u>	<u>Current Fund</u>	<u>Other Trust Fund</u>	<u>General Capital Fund</u>
Balance December 31, 2016:					
Due From	A	\$ 432,237.00	\$ 432,237.00	\$	\$
(Due To)	A	<u>(16,782.12)</u>		<u>(16,782.12)</u>	
Increased by:					
Cash Receipts	A-4	190,933.46		52,147.40	138,786.06
Unappropriated Grant Reserves	A-14	239,038.97	239,038.97		
2017 Budget	A-15	3,531.00	3,531.00		
Grants Receivable	A-23	278,736.39	278,736.39		
Cancellation of Grant Receivables	A-23	709.83	709.83		
		<u>712,949.65</u>	<u>522,016.19</u>	<u>52,147.40</u>	<u>138,786.06</u>
Decreased by:					
Cash Disbursements	A-4	190,933.46	190,933.46		
Expenditures	A-15	251,322.78	251,322.78		
Cancellation of Grant Reserves	A-15	523.66	523.66		
		<u>442,779.90</u>	<u>442,779.90</u>		
Balance December 31, 2017:					
Due From	A	\$ 685,624.63	\$ 511,473.29	\$ 35,365.28	\$ 138,786.06

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COUNTY TAXES PAYABLE

A-20

	<u>Ref.</u>		
Balance December 31, 2016	A		\$ 55,190.74
Increased by:			
2017 Tax Levy	A-1	\$ 18,239,974.75	
Added and Omitted County Taxes	A-1	58,907.66	
	A-2a,11		18,298,882.41
			18,354,073.15
Decreased by:			
Payments	A-4		18,295,228.84
Balance December 31, 2017	A		\$ 58,844.31

LOCAL SCHOOL DISTRICT TAXES

A-21

	<u>Ref.</u>		
Balance December 31, 2016	A		\$ 5.00
Increased by:			
Levy Calendar Year 2017	A-1,2a,11		41,382,086.00
			41,382,091.00
Decreased by:			
Payments	A-4		41,382,058.00
Balance December 31, 2017	A		\$ 33.00

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

INTERFUNDS

A-22

	<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, 2016: (Due To)	A	\$ (462,325.63)	\$ (432,237.00)	\$ (25,781.65)	\$ (4,306.98)
Increased by:					
Anticipated Revenue	A-12	\$ 5,000.00	\$	\$	\$ 5,000.00
Cash Disbursements	A-4	1,255,287.95	442,256.24	800,000.00	13,031.71
		<u>1,260,287.95</u>	<u>442,256.24</u>	<u>800,000.00</u>	<u>18,031.71</u>
Decreased by:					
Cancellation of Grant Reserves	A-1	186.17	186.17		
Appropriations	A-3	3,531.00	3,531.00		
Cash Receipts	A-4	1,438,223.96	517,775.36	911,969.60	8,479.00
		<u>1,441,941.13</u>	<u>521,492.53</u>	<u>911,969.60</u>	<u>8,479.00</u>
Balance December 31, 2017: Due From	A	\$ 5,245.73			\$ 5,245.73
(Due To)	A	\$ (649,224.54)	\$ (511,473.29)	\$ (137,751.25)	

Analysis of Interfunds Receivable Balance

Balance December 31, 2016
Balance December 31, 2017

Net charge to operations

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

GRANTS RECEIVABLE

A-23

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>2017</u> <u>Grants</u>	<u>Collections</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Alcohol Education and Rehabilitation	\$	\$ 2,123.22	\$ 2,123.22	\$	\$
CDBG - Senior Citizen Center Program	6,600.00		6,600.00		1,000.00
CDBG - Senior Citizen Transportation Program	7,600.00		6,600.00		20,954.00
Department of Transportation - Park Avenue	200,000.00		200,000.00		100,000.00
FEMA - Assistance to Firefighter Assistance Grant	20,954.00				1,345.00
FEMA - Hazard Mitigation Grant	100,000.00				1,000.00
Fire and Prevention Safety Grant	1,345.00				5,000.00
Forestry Management	1,000.00	3,000.00	3,000.00		1,000.00
Greening Union County		14,123.00	13,413.17	709.83	
Municipal Alliance					
New Jersey Sustainable Small Cities Program		2,585.16	2,585.16		
Body Armor Replacement Program	5,000.00	50,000.00	50,000.00		
Union County Infrastructure Grant		25,000.00			25,000.00
NJ Forest Service Community Forestry Program					
	<u>\$ 342,499.00</u>	<u>\$ 96,831.38</u>	<u>\$ 284,321.55</u>	<u>\$ 709.83</u>	<u>\$ 154,299.00</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	\$ 5,585.16		
Interfunds		A-19	<u>278,736.39</u>		
		Above	<u>\$ 284,321.55</u>		

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

RESERVE FOR VARIOUS DEPOSITS

A-24

	<u>Ref.</u>	
Balance December 31, 2016	A	<u>\$ 6,795.08</u>
Balance December 31, 2017	A	<u>\$ 6,795.08</u>

DUE TO STATE OF NEW JERSEY

A-25

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 3,979.00
Increased by:		
Cash Receipts	A-4	<u>18,904.00</u>
		22,883.00
Decreased by:		
Cash Disbursements	A-4	<u>22,708.00</u>
Balance December 31, 2017	A	<u>\$ 175.00</u>
<u>Analysis of Balance</u>		
Marriage Licenses		<u>\$ 175.00</u>
		<u>\$ 175.00</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

B-1

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Trust Other Fund</u>
Balance December 31, 2016	B	\$ 61,606.07	\$ 6,556,603.16
Increased by Receipts:			
Animal Control Expenditures	B-2	\$ 3,740.00	
Interfunds	B-3		5,864.01
Payroll Deductions	B-4		4,799,271.21
Due to State of New Jersey	B-5	357.00	
Net Payroll Payable	B-6		8,216,904.15
Various Reserves and Deposits	B-7		2,524,453.10
Reserve for Affordable Housing	B-8		745,225.00
Unemployment Compensation Insurance	B-9		15,000.00
Reserve for Recreation	B-10		566,697.00
Prepaid Revenue	B-12	<u>650.00</u>	
		<u>4,747.00</u>	<u>16,873,414.47</u>
		<u>66,353.07</u>	<u>23,430,017.63</u>
Decreased by Disbursements:			
Animal Control Expenditures	B-2	1,360.39	
Interfunds	B-3		8,479.00
Payroll Deductions	B-4		4,851,344.10
Due to State of New Jersey	B-5	478.20	
Net Payroll Payable	B-6		8,218,196.71
Various Reserves and Deposits	B-7		2,181,489.76
Reserve for Affordable Housing	B-8		7,246.15
Unemployment Compensation Insurance	B-9		4,144.81
Reserve for Recreation	B-10		582,455.07
Reserve for Equitable Sharing	B-11		46,827.73
		<u>1,838.59</u>	<u>15,900,183.33</u>
Balance December 31, 2017	B	<u>\$ 64,514.48</u>	<u>\$ 7,529,834.30</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

B-2

	<u>Ref.</u>		
Balance December 31, 2016	B		\$59,917.07
Increased by:			
Collections:			
Dog License Fees Collected		\$ 3,420.00	
Cat License Fees Collected		<u>320.00</u>	
	B-1	3,740.00	
Prepaid Revenue Applied	B-12	<u>1,567.80</u>	
			<u>5,307.80</u>
			<u>65,224.87</u>
Decreased by:			
Expenditures Under N.J.S. 40A:4-39	B-1		<u>1,360.39</u>
Balance December 31, 2017	B		<u><u>\$63,864.48</u></u>

<u>License Fees Collected</u>	
<u>Year</u>	<u>Amount</u>
2015	\$ 5,395.80
2016	<u>4,604.60</u>
	<u><u>\$10,000.40</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

INTERFUNDS

B 3

	<u>Ref.</u>	<u>Total</u>	<u>Current Fund</u>	
			<u>Trust Other</u>	<u>Grant Fund</u>
Balance December 31, 2016:				
Due From	B	<u>\$ 21,089.10</u>	<u>\$ 4,306.98</u>	<u>\$ 16,782.12</u>
Increased by:				
Cash Disbursements	B-1	<u>8,479.00</u>	<u>8,479.00</u>	
Decreased by:				
Cash Receipts	B-1	5,864.01	5,864.01	
Recreation Reserve for Expenditures	B-10	64,315.10	12,167.70	52,147.40
		<u>70,179.11</u>	<u>18,031.71</u>	<u>52,147.40</u>
Balance December 31, 2017:				
(Due To)	B	<u><u>\$ (40,611.01)</u></u>	<u><u>\$ (5,245.73)</u></u>	<u><u>\$ (35,365.28)</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

TRUST OTHER FUNDS
PAYROLL DEDUCTIONS PAYABLE

B-4

	<u>Ref.</u>		
Balance December 31, 2016	B		\$ 58,814.07
Increased by:			
Payroll Deductions	B-1	4,799,271.21	<u>4,858,085.28</u>
Decreased by:			
Cash Disbursements	B-1	4,851,344.10	<u>4,851,344.10</u>
Balance December 31, 2017	B		<u>\$ 6,741.18</u>

ANIMAL CONTROL TRUST FUND
DUE TO STATE OF NEW JERSEY

B-5

	<u>Ref.</u>		
Increased by:			
Cash Receipts	B-1	\$ 357.00	
Prepaid Applied	B-12	<u>121.20</u>	\$ 478.20
Decreased by:			
Cash Disbursement	B-1		<u>478.20</u>
			<u>\$ -</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

TRUST OTHER FUNDS
NET PAYROLL PAYABLE

B-6

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 10,336.50
Increased by:		
Receipts	B-1	<u>8,216,904.15</u> 8,227,240.65
Decreased by:		
Disbursements	B-1	<u>8,218,196.71</u>
Balance December 31, 2017	B	<u>\$ 9,043.94</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR EXPENDITURES

B-7

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Police Forfeiture - Law Enforcement Funds	\$ 8,571.85	\$		\$ 8,571.85
Tax Sale Certificates	40,653.80	275,966.38	298,431.22	18,188.96
Tax Sale Premiums	135,300.91	238,500.00	227,500.00	146,300.91
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	50,139.88	14,280.00	11,458.11	52,961.77
Christmas Tree Sellers' Deposits	625.00			625.00
Fire Sub-Code	40,704.78			40,704.78
Parking Offense Adjudication Act	935.96	42.00		977.96
Municipal Alliance	1,852.48			1,852.48
Public Defender	8,401.25	4,512.00	600.00	12,313.25
Green Acres	181,137.94	15,892.68	22,945.81	174,084.81
Developers' Escrow	4,287,607.02	1,106,019.64	727,603.57	4,666,023.09
Sewer Pump Station Study	18,000.00			18,000.00
Peppertown Park Project	6,008.98			6,008.98
Donations	33,853.80	21,355.00	24,124.35	31,084.45
Police Escrow	193,318.30	833,024.40	852,767.70	173,575.00
Miscellaneous	12,072.72			12,072.72
Youth Academy Donation	3,562.70	4,861.00	4,531.00	3,892.70
Snow Removal	133,811.55		11,528.00	122,283.55
Accumulated Sick Time	150,242.60	10,000.00		160,242.60
	<u>\$5,323,314.75</u>	<u>\$2,524,453.10</u>	<u>\$2,181,489.76</u>	<u>\$5,666,278.09</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, 2016	B	\$ 819,641.26
Increased by:		
Receipts	B-1	<u>745,225.00</u> 1,564,866.26
Decreased by:		
Disbursements	B-1	<u>7,246.15</u>
Balance December 31, 2017	B	<u><u>\$ 1,557,620.11</u></u>

RESERVE FOR STATE UNEMPLOYMENT INSURANCE

B-9

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 102,684.78
Increased by:		
Receipts	B-1	<u>15,000.00</u> 117,684.78
Decreased by:		
Disbursements	B-1	<u>4,144.81</u>
Balance December 31, 2017	B	<u><u>\$ 113,539.97</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RECREATION
RESERVE FOR EXPENDITURES

B-10

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 179,272.77
Increased by:		
Receipts	B-1	566,697.00
		<u>745,969.77</u>
Decreased by:		
Disbursements	B-1	\$ 582,455.07
Interfunds	B-3	64,315.10
		<u>646,770.17</u>
Balance December 31, 2017	B	<u>\$ 99,199.60</u>

RESERVE FOR EQUITABLE SHARING

B-11

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 78,980.70
Decreased by:		
Disbursements	B-1	46,827.73
Balance December 31, 2017	B	<u>\$ 32,152.97</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

ANIMAL CONTROL FUND
PREPAID REVENUE

B-12

	<u>Ref.</u>		
Balance December 31, 2016	B		\$1,689.00
Increased by:			
Cash Receipts	B-1		<u>650.00</u>
			2,339.00
Decreased by:			
Applied to 2017:			
Reserve for Animal Control Fund	B-2	\$1,567.80	
Services	B-5	<u>121.20</u>	
Due to State of New Jersey			<u>1,689.00</u>
Balance December 31, 2017	B		<u>\$ 650.00</u>

DUE TO STATE OF NEW JERSEY

B-13

	<u>Ref.</u>		
Balance December 31, 2016	B		<u>\$4,647.43</u>
Balance December 31, 2017	B		<u>\$4,647.43</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

CAPITAL SURPLUS

C-1

	<u>Ref.</u>	
Increased by:		
Premium on Sale of Bonds	C-2	<u>\$ 114,949.60</u>
Balance December 31, 2017	C	<u><u>\$ 114,949.60</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

C-2

	<u>Ref.</u>		
Balance December 31, 2016	C		\$ 1,085,629.96
Increased by Receipts:			
Fund Balance	C-1	\$ 114,949.60	
Interfunds	C-4	1,369,852.06	
Capital Improvement Fund	C-7	255,750.00	
Bond Anticipation Notes	C-12	<u>15,703,534.00</u>	
			<u>17,444,085.66</u>
			18,529,715.62
Decreased by Expenditures:			
Interfunds	C-4	1,103,619.60	
Improvement Authorizations	C-8	6,809,989.30	
Bond Anticipation Notes	C-12	7,455,950.00	
Overexpenditure of Improvement Authorizations	C-15	<u>13,540.12</u>	
			<u>15,383,099.02</u>
Balance December 31, 2017	C		<u><u>\$ 3,146,616.60</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

ANALYSIS OF CAPITAL CASH AND INVESTMENTS

C-3

Ordinance Number	Description	Balance	Receipts		Disbursements		Transfers		Balance
		Dec. 31, 2016	\$		\$		From	To	Dec. 31, 2017
	Fund Balance	\$	114,949.60		\$				\$ 114,949.60
	Capital Improvement Fund	84,704.80	255,750.00			198,450.00			142,004.80
	State Aid Receivable	(250,000.00)							(250,000.00)
	Loans Receivable	(563,402.52)							(563,402.52)
	Interfunds	(25,781.65)	1,369,852.06	1,103,619.60		239,416.00			1,034.81
	Bond Anticipation Notes		13,065,534.00	4,817,950.00		8,247,584.00			8,500.00
	Reserve for Senior Citizens' Bus	8,500.00							(13,540.12)
	Deferred Charge			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							18,603.75
10-12	Various Capital Improvements and Equipment	5,233.00		133.00					5,100.00
09-13	Various Capital Improvements	6,343.16							6,343.16
10-13	Various Capital Improvements and Equipment	5,281.78							5,281.78
03-14	Various Capital Improvements	98,341.29			57,192.60				41,148.69
04-14	Various Road Improvements	170,303.85		1,815,182.30			1,845,000.00		200,121.55
08-14	Municipal Facility Study	1,179.89							1,179.89
09-15	Various Capital Improvements	340,813.44							327,808.27
11-16	Various Capital Improvements	920,753.95					17,000.00		17,000.00
3-17	Equipment				592,945.68				1,564,652.82
4-17	Municipal Complex Redevelopment Project				435,347.18				198.80
7-17	Acquisition of Various Equipment				105,551.20				1,210,688.10
21-17	Various Capital Improvements and Equipment				624,011.90				44,188.00
26-17	Acquisition of Property and Redevelopment Plan			2,855,812.00					
		<u>\$ 1,085,629.96</u>	<u>\$ 14,806,085.66</u>	<u>\$ 12,745,099.02</u>		<u>\$ 8,702,450.00</u>	<u>\$ 8,702,450.00</u>		<u>\$ 3,146,616.60</u>
	Reference	C	C-1	C-1	C-1	Contra	Contra		C

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, 2016: (Due To)	C	<u>\$ 25,781.65</u>	<u>\$ -</u>	<u>\$ 25,781.65</u>
Increased by:				
Cash Disbursements	C-1	\$ 1,103,619.60	\$ 191,650.00	\$ 911,969.60
Budget Appropriations	C-6	<u>239,416.00</u>	<u>191,650.00</u>	<u>239,416.00</u>
		<u>1,343,035.60</u>	<u>191,650.00</u>	<u>1,151,385.60</u>
Decreased by:				
Cash Receipts	C-1	<u>1,369,852.06</u>	<u>330,436.06</u>	<u>1,039,416.00</u>
Balance December 31, 2017: Due From	C	<u>\$ 137,751.25</u>		<u>\$ 137,751.25</u>
(Due To)	C	<u>\$ (138,786.06)</u>	<u>\$(138,786.06)</u>	

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

C-5

	<u>Ref.</u>		
Balance December 31, 2016	C		\$ 10,368,112.34
Decreased by:			
Budget Appropriation to Pay Bonds	C-10	\$ 745,000.00	
Budget Appropriation to Pay Loan	C-11	<u>457,628.80</u>	
			<u>1,202,628.80</u>
Balance December 31, 2017	C		<u>\$ 9,165,483.54</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

CAPITAL IMPROVEMENT FUND

C-7

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 84,704.80
Increased by:		
2017 Appropriations	C-2	<u>255,750.00</u>
		340,454.80
Decreased by:		
Improvement Authorizations	C-8	<u>198,450.00</u>
Balance December 31, 2017	C	<u><u>\$ 142,004.80</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

STATE AID RECEIVABLE

C-9

	<u>Ref.</u>	
Balance December 31, 2016	C	<u>\$ 250,000.00</u>
Balance December 31, 2017	C	<u><u>\$ 250,000.00</u></u>
<u>Analysis of Balance</u> Ordinance #10-12		<u><u>\$ 250,000.00</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-10

SERIAL BONDS PAYABLE

<u>Purpose</u>	<u>Original Issue</u>		<u>Bond Maturities Outstanding Dec. 31, 2017</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2017</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>				
General Improvement Bonds	12/01/09	\$ 7,604,000.00	12/01/18	\$ 460,000.00	2.750%	\$ 920,000.00	\$ 460,000.00	\$ 460,000.00
Refunding Bonds	12/01/16	4,775,000.00	12/01/18	280,000.00	3.000%			
			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%				
						4,470,000.00	285,000.00	4,185,000.00
						<u>\$ 5,390,000.00</u>	<u>\$ 745,000.00</u>	<u>\$ 4,645,000.00</u>

Reference

C

C-5

C

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #1

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

Purpose	Original Issue		Date	Amount	Date	Loan Maturities Outstanding Dec. 31, 2017	Amount	Interest Rate	Balance Dec. 31, 2016	Decrease	Balance Dec. 31, 2017
	Date	Amount									
New Jersey Environmental Infrastructure Loan	10/15/01	\$ 980,000.00			08/01/19	\$ 70,000.00		5.000%			
					08/01/20	75,000.00		4.750%			
					08/01/21	80,000.00		4.750%	\$ 355,000.00	\$ 65,000.00	\$ 290,000.00
New Jersey Environmental Infrastructure Loan	10/15/01	1,000,000.00			08/01/18	51,152.52					
					08/01/19	52,284.03					
					08/01/20	53,253.91					
					08/01/21	54,183.53			264,127.89	53,253.90	210,873.99
New Jersey Environmental Infrastructure Loan	11/04/04	290,000.00			08/01/19-22	20,000.00		5.000%			
					08/01/23	20,000.00		4.250%			
					08/01/24	25,000.00		4.375%	155,000.00	15,000.00	140,000.00
New Jersey Environmental Infrastructure Loan	11/04/04	294,120.00			08/01/18	13,953.53					
					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			122,176.96	14,435.93	107,741.03	

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #2

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

Purpose	Original Issue		Loan Maturities Outstanding		Interest Rate	Balance Dec. 31, 2016	Decrease	Balance Dec. 31, 2017
	Date	Amount	Date	Amount				
New Jersey Environmental Infrastructure Loan	11/08/07	\$ 2,190,000.00	08/01/18	\$ 115,000.00	5.000%			
			08/01/19	120,000.00	4.000%			
			08/01/20	125,000.00	4.000%			
			08/01/21	130,000.00	5.000%			
			08/01/22	140,000.00	5.000%			
			08/01/23	145,000.00	4.250%			
			08/01/24	150,000.00	4.500%			
			08/01/25	160,000.00	4.500%			
			08/01/26	165,000.00	4.500%			
			08/01/27	175,000.00	4.250%	\$ 1,535,000.00	\$ 110,000.00	\$ 1,425,000.00
New Jersey Environmental Infrastructure Loan	11/08/07	2,030,000.00	08/01/18	112,178.84				
			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		1,239,998.47	112,492.14	1,127,506.33	
		08/01/27	114,317.33					

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

RESERVE FOR SENIOR CITIZENS' BUS

C-13

	<u>Ref.</u>	
Balance December 31, 2016	C	<u>\$ 8,500.00</u>
Balance December 31, 2017	C	<u><u>\$ 8,500.00</u></u>

INFRASTRUCTURE LOAN RECEIVABLE

C-14

	<u>Ref.</u>	
Balance December 31, 2016	C	<u>\$ 563,402.52</u>
Balance December 31, 2017	C	<u><u>\$ 563,402.52</u></u>

DEFERRED CHARGES

C-15

	<u>Ref.</u>	
Increased by:		
Overexpenditure of Improvement Authorizations	C-2	<u>\$ 13,540.12</u>
Balance December 31, 2017	C	<u><u>\$ 13,540.12</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-16

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Improvement Description</u>	<u>Ordinance Number</u>	<u>Balance Dec. 31, 2016</u>	<u>Authorized</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2017</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	2,795,000.00		1,845,000.00	950,000.00
Municipal Complex Redevelopment	04-17		28,000,000.00	2,000,000.00	26,000,000.00
Various Capital Improvements and Equipment	21-17		1,742,000.00	1,742,000.00	
Acquisition of Property and Redevelopment Plan	26-17		2,900,000.00	2,900,000.00	
		<u>\$ 2,871,298.27</u>	<u>\$ 32,642,000.00</u>	<u>\$ 8,487,000.00</u>	<u>\$ 27,026,298.27</u>

Reference

C

C-11

C

PART II
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
ROSTER OF OFFICIALS
GENERAL COMMENTS, FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017

SAMUEL KLEIN AND COMPANY

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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, 2017 and 2016, and the related notes to the financial statements - regulatory basis and have issued our report thereon dated June 25, 2018. 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
June 25, 2018

**ROSTER OF OFFICIALS FOR THE YEAR 2017
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	*
Craig Pastore	Council Vice President	*
Mike D'Aquila	Councilman	*
Marc Faecher	Councilman	*
Peter Bavoso	Councilman	*
Manuel Couto	Councilman	*
John Bussiculo	Township Administrator	*
Ana Minkoff	Township Clerk	*
Michel Marceau	Chief Financial Officer	200,000.00
Joseph Sordillo	Attorney	
Robert Bocchino	Engineer to August 11, 2017	
Tom Solfaro	Engineer from August 12, 2017	*
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.

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, 2017 - June 30 2017 was the sum of \$40,000.00. For the period July 1, 2017 - December 31, 2017, the amount increased to \$46,000.00.

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 \$6,000.00, at least two quotations as to the cost of 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 4, 2017 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.

Revenue Departments

Finding #2017-1:

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 departments did not comply with that statute:

Recreation Department
Engineering 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 #2017-2:

Recreation Department:

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.

General Capital Fund

Finding #2017-3:

Condition:

A deferred charge for the overexpenditure of an improvement authorization was established on the balance sheet and is required to be raised in a subsequent year's budget.

Recommendation:

That greater care be exercised when charging expenditures to improvement authorizations to ensure no overexpenditures.

Other Post-Employment Benefits

Local Finance Notices 2007-15 and 2009-13 require local units that provide non-pension benefits to retired employees, such as health insurance coverage, prescription or other benefits to disclose the annual payment for currently retired employees and future cost for those employees in the Notes to the Financial Statements.

Those municipalities that are not members of the State Health Benefits Plan or other cost-sharing plans must obtain an actuarially calculated post-employment benefit on a periodic basis for inclusion in the Notes to the Financial Statements.

The Township of Berkeley Heights maintains private health coverage and provides certain retired employees with post-employment benefits which require appropriate disclosure in the Notes to the Financial Statements in accordance with regulations promulgated by the Local Finance Board.

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.

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

Revenue Departments

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

Recreation Department

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

General Capital Fund

That greater care be exercised when charging expenditures to improvement authorizations to ensure no overexpenditures.

* * *

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,

A handwritten signature in cursive script that reads "Samuel Klein and Company".

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

A handwritten signature in cursive script that reads "Joseph J. Faccione".

JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey
June 25, 2018

